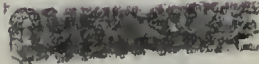


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FINANCE



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CHARLES H. BUESCHING

(SEE PAGE 19)

Federal Reserve Will Enforce Regulation Q

(SEE PAGE 19)



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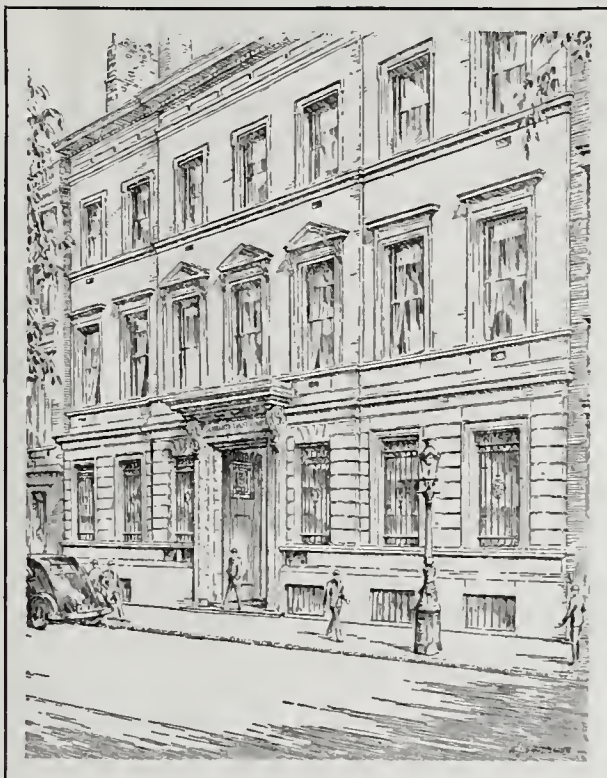


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June 10, 1945



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OFF THE RECORD

FOR a long time the regional credit pools have been sitting around "All Dressed Up and No Where to Go."

However, the St. Louis credit pool has made two loans, with each of the seven clearing house banks participating in the credits. The first, a \$25,000 loan, was extended to a St. Louis company, engaged in the crating of war materials, while the second was to a manufacturer of refrigeration equipment, located at Champaign, Illinois. Of the total loan of \$102,000, the St. Louis banks took \$25,000.

It is understood that other loans by the credit pool are in prospect. William Bramman, Jr., Executive vice president of the Mississippi Valley Trust Company of St. Louis, is Chairman of the committee, named by the St. Louis banks in the clearing house association to pass upon the applications received by the \$25 million credit pool. St. Louis means business.

A Significant Decision

Baiting the big corporations got quite a setback in the Federal Court at Fort Wayne, Indiana, on May 30 when a jury handed down a verdict in favor of General Motors against a former Chevrolet dealer, who sued for \$225,000 on the grounds that General Motors discriminated against him in the delivery of new cars because he wouldn't give the installment paper on car sales to General Motors Acceptance Corporation.

Munson, an automobile dealer in Anderson, Indiana, brought the suit. Alfred P. Sloan, Jr., Chairman of General Motors, was placed on the witness stand by the plaintiff. The automotive chieftain was forced to admit that his salary was several hundred thousands of dollars a year and that the value of his interest in General Motors ran high into the millions. Notwithstanding all these tactics, designed to convey the idea that this great, wealthy corporation, had coerced this little automobile dealer, the jury decided in favor of General Motors.

Other suits of a similar character are understood to be awaiting trial.

Cleveland Bank Signs Up

The latest bank to join the group of signatory banks in the National Sales

Finance Plan is the Central National Bank of Cleveland.

While the plans of the group of banks have not yet fully crystallized, progress is reported. There are yet two or three more spots to be filled before the champions of this project will be in a position to offer a manufacturer national coverage for the distribution of his products, with adequate financing of distributors and dealers. The Central National has a number of branches in the Cleveland area as well as a considerable number of correspondent banks.

Term Loan Rates

The continuance of low interest rates on term loans was indicated recently when Warner Brothers Pictures, Inc., arranged a \$17 million bank loan, with semiannual reductions running to May 1952, with interest at 2%.

The proceeds are to be used to retire \$7 million of the company's serial debenture 4s and to pay off a \$10 million term loan which carried a 2¾% rate of interest. Other term loans are understood to be in course of negotiation at about the same rates of interest.

Gock Stays South

Al Gock—successor to A. P. Giannini as Chairman of the Board of Di-



A. J. Gock

... Giannini's right hand man.

rectors of the Bank of California—is going to make Los Angeles his headquarters.

Reproduced on this page is a recent photo of the personable California banker, who "grew up" in the great branch banking system. The three right hand men to A. P. and Mario Giannini within the Bank of America organization are Al Gock, Francis Baer and Carl Wentz. While Carl Wentz has not figured in the news recently, he enjoys high standing with the powerful A. P. Giannini.

Davis Heads Chicago Exchange

The new Chairman of the Board of Governors of the Chicago Stock Exchange is Ralph W. (Pinkie) Davis, partner of Paul H. Davis & Co. of Chicago. A University of Chicago graduate, he has been a member of the Stock Exchange since 1922 and has been engaged throughout his business career in the security business except for a brief period of 2 years when he accepted the position in industry as assistant to the president of the Northern Illinois Corporation at DeKalb, Illinois, manufacturers of basic tank track. He returned to the security business last June and during that time has been actively engaged in the administration of the Exchange.

The first out of town governor to be elected since 1930 is Robert W. Baird president of The Wisconsin Company of Milwaukee. Others newly elected members of the Board for 3 year terms are four Chicagoans: William A. Fuller, William A. Fuller & Co.; Robert A. Gardner, Mitchell, Hutchins & Co.; John J. Griffin; and Reuben Thorson, of Paine, Webber, Jackson & Curtis. Homer P. Hargrave, of Merrill Lynch, Pierce, Fenner & Bean; D. Dean McCormick, of Keibon, McCormick & Co. and Harry M. Payne, of Webster, Marsh & Co., were re-elected members of the Board to serve 3 years.

A Repeat Performance

So successful was the first "Discussion Meeting" with its correspondents in the Philadelphia Federal Reserve District that the First National Bank of Philadelphia is staging a repeat performance on June 15.

One idea that the Philadelphia bank is suggesting to its correspond-

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ents as a means of developing a volume of loans is a tie-up with the local electrical industry to promote the local financing of home modernization, renovation, wiring and eventually electrical appliances and equipment. In conjunction with other Philadelphia banks, the First has been offering to make personal loans to home owners in Philadelphia for modernization purposes.

Signs of Waking Up

Not long ago bankers in the east rubbed their eyes in bewilderment. One of the officers of a fine, old California bank was actually "calling on the trade." It had been years since such a sign of progress had been seen. Yet, on the coast, the bank enjoys the highest standing with the names of some of the most representative firms on its books.

Among bankers, it is no state secret, however, that they think two of the old established banks should take a look at the parade and start to catch up.

Watch Over-the-Counter

There are increasing signs that something is about to be done to tighten up the controls on the over-

the-counter market. The SEC has openly stated that it is not satisfied with the way in which the quotations furnished by the National Association of Security Dealers are published in the daily newspapers. The spreads in many securities traded in the vast and expansive over-the-counter are considered too wide and there are other reasons for a better job of self policing on the part of the security dealers.

Strong forces are at work to bring about reforms in the over-the-counter market. The aid of the SEC is being sought and something is likely to happen.

Shawmut Adds Revere

Major banks in the principal financial centers continue to expand by acquiring ownership of outlying banks, which are converted into branches.

The National Shawmut Bank of Boston has recently acquired the First National Bank of Revere and will operate it as a branch in the future.

The M. & T. Trust Company of Buffalo has recently added another bank and converted it into a branch.

Book on Inventory Lending

The interesting observation that, in lending on inventories, the borrower rather than the nature of the commodity should be the prime consideration is made in a new book on inventory financing that has been published by the Lawrence Warehouse Company, which engages in field warehousing on a national scale. It asserts that there has been a definite change in the lender's philosophy in this field.

The company had so many inquiries about this type of loans that it decided to have a handbook prepared under the Direction of Robert L. Gordon, vice president of the company and a former banker. Because some bankers persist in thinking that inventory financing should be limited to staple, readily marketable items, they are by-passing "a lucrative loan field," the book suggests. It is designed to answer the questions that banks of all size are asking about financing under the field warehousing plan and, of course, reflects the 30 years of experience that the company has had.

Burke Is President

John J. Burke will be the new president of the Metals Bank and Trust Company of Butte, Montana. This is the largest bank in the state. He has been elected to succeed James E. Woodward who will become treasurer of the Anaconda Copper Mining Company on July 1. Mr. Woodward

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has been a member of the Board of Anaconda for a number of years and has been engaged in the banking business in Montana since 1920. He is a director of the First Bank Stock Corporation as well as many other companies controlled by or affiliated with Anaconda.

Mr. Burke has been cashier of the bank for several years and is the son of a Montana pioneer miner.

A Tart Exchange

There is not much love lost between the National Savings and Loan League and the United States Savings and Loan League, from which a group of savings & loan associations broke to form a new national association. Late in March, W. M. Brock, president of the United States League, wrote a so-called "unity letter" to Arthur G. Erdmann, of Chicago, then president of the National League, in which he suggested that the two associations "close ranks" and unite in one big association. In a tart response, Mr. Erdmann declined the invitation and stated that no good had been done the common cause by having the paid officers of the United States League "state untruthfully and most unfairly that we approved public housing in our appearance before the Taft

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tional Bank of Tampa; W. E. Henderson, vice president, South Carolina National Bank of Greenville, South Carolina; Joe B. Rawlings, assistant vice president, Union Planters National Bank and Trust Company of Memphis and W. Wilber Pope, vice president, Hibernia National Bank of New Orleans.

Plans are under way to set up a chapter in the southwestern section of the United States.

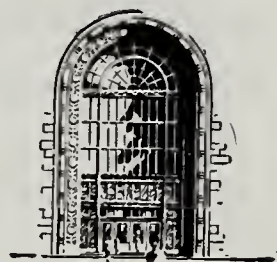
Organizing Bank Workers

At this time, it is understood that the C.I.O. has plans to unionize bank workers in several centers. In New York, there has been considerable activity among the employees of several banks.

Milwaukee was one of the first big cities where the unions were successful in organizing bank clerks. It is doubtful if they have gained as much in a material way as they would have through direct dealing with the management of banks.

Priorities for Bank Buildings

Banks in various parts of the country have plans for the construction of new buildings. With the end of the European war, representatives have been in Washington seeking to obtain



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Committee in Washington." Reporting that the membership of the National was growing steadily (it has passed the billion dollar mark), Mr. Erdmann extended an invitation to Mr. Brock and his colleagues to become members of the National League.

"We hope," he said, "that you too will like its democratic character as evidenced by its constitution, its policies and its operations, particularly when these operations deal with important questions like legislation and the election of its officers."

The Southeast Organizes

Bankers from 8 southeastern states will be numbered among those who recently met in Atlanta to form a Southeastern Chapter of the Robert Morris Associates. V. K. Bowman, vice president of the Federal Reserve Bank of Atlanta, will serve as first president of this chapter, while S. W. Black, Jr., vice president of the American Trust Company of Charlotte, North Carolina, is to be vice president, and Ernest G. Cleverdon, vice president and cashier of the Merchants National Bank of Mobile, will serve as secretary and treasurer.

Governors elected by the Southeastern Chapter are V. H. Northcutt, executive vice president, First Na-

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the green light for the necessary materials.

At this time, it seems that no trouble will be encountered in getting structural steel, but copper, bronze and other metals are still listed as critical materials. Soft wood is definitely in this class. While many cities are still listed in critical labor areas, Washington officials within the WPB say that this may change at any time, what with the cutbacks and cancellation of war contracts. They have suggested that applications be filed now so that they may act promptly in event of a change.

Timing Thought Bad

After a show-down meeting of the Council of Administration, the Illinois Bankers Association decided against pressing for the passage of a revised small loan act.

The principal objection to the activities of the committee joining with the small loan companies was that the timing was bad. With bank earnings running high, it was thought poor judgment to ask for the legalization of 1½% interest a month on the unpaid balance of small loans. From the standpoint of public relations, it was conceded that 18% annually on small loans just wouldn't sound right to the

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states that nearly 500 women hold executive positions in banks in this country. There were more than 100 women serving as presidents of banks, but most of these inherited the controlling interest.

As to the future for women in banking, Miss Knox expressed the opinion that only about 50% of the men in the service will return to their old bank jobs and suggested that this would provide further opportunity for women in bank work.

Egan Is Promoted

Another banker who received an enheartening welcome in the form of a promotion upon his return from service in the Army is Floyd H. Egan. After serving 2½ years in the Army Air Force, during which he held the rank of Captain, Mr. Egan returned to Chicago and was elected vice president of the Central National Bank.

Prior to entering the service, he was an assistant vice president and was active in the business development work of the fast growing Chicago bank.

The Coming Shift

The chief topic of interest in the financial center of the country—according to out-of-town bankers who have visited New York—is how much

public. It was by the narrowest of margins, however, that the opposition won. Nearly two-thirds of council favored moving ahead and seeking the legislation. It required a two-thirds vote.

Spong Heads Dauphin

After having been associated with the Dauphin Deposit Trust Company of Harrisburg, Pennsylvania for nearly 42 years, Harper W. Spong was recently elected president to succeed the late Donald McCormack. Starting in a clerical position with the bank, Mr. Spong moved up the ladder through various positions to become vice president and a director.

He is a former president of the Harrisburg Chamber of Commerce and a director of a great many industrial companies.

Women as Bank Presidents

A movement has been started by the leaders in the National Association of Bank Women to establish an executive office. Helen Knox, president of the association, thinks that this would be a fitting climax to the 25th year of the Association's existence which is to be observed in 1946. Miss Knox, who is manager of the Women's Department in the Grand Central Branch of the Chase National Bank,

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gain in deposits the Metropolitan banks will experience as the result of the postwar shifting of balances.

That New York will profit at the expense of war production centers is generally conceded. Many smaller centers are making their plans for the return to normal channels of corporation funds. However, virtually no one expects to see an over-all shrinkage in deposits.

Lew Lafferty Scores

Under the presidency of Lew Lafferty, vice president of the Fort Worth National Bank, the Financial Advertisers Association is heading toward a real goal—1,000 members. The FAA, now beyond the 900 mark, is gaining all the time.

While conventions are banned, the fast-moving Texan is calling members into session in the principal centers.

A recent FAA survey reveals that banks will spend 14.4% more for advertising in 1945 than in 1944. Robert Lindquist, now 3rd vice president of the FAA, conducted the survey. Of the bank advertising dollar, 34.8 cents goes for institutional advertising; war bond, 12c; special checking accounts, 12.4c; consumer credit, 11.2c; trust service, 7.7c; savings accounts, 2.7c; safe deposit 1.8c; all other advertising, 17.4c.



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For years it has been an accepted business practice to insure material assets—plant, machinery, stock and fixtures.

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The loss of material assets can be made good quickly. But it takes time, thought and money to replace the man whose directing force renders the business profitable.

His death causes uneasiness in the organization, shakes the confidence of customers, and tightens credit when credit is needed most. And death usually strikes at the wrong time.

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4. Attract a competent successor and enable him to carry on unhampered by money problems.

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FINANCE'S *Washington Letter*

June 10, 1945

Secretary of the Treasury Morgenthau will stay "for the duration". This is definite. Until the war with Japan is over, Mr. Morgenthau has assured President Truman that he will stick on the job. Rumors about successors to Secretary Morgenthau should be dismissed as idle. The White House is satisfied that the war could not be financed more cheaply and that it would be unwise to rock the boat until the Japanese are vanquished.

Cheered by the non-partisan support of the Bretton Woods plan in the House, President Truman is making a behind-the-scenes move to gain non-partisan backing for the legislation in the Senate. The big question mark is whether or not Senator Taft of Ohio will lead a vigorous fight against the adoption of the proposals. Former Assistant Secretary of the Treasury Charles S. Dewey, of Illinois, who served as financial advisor to Poland and was critical of the first plan formulated by the Treasury in the days when Mr. White suggested the adoption of Bancor as a universal unit of currency, addressed a letter to Representative Wolcott, the ranking minority member of the House Banking & Currency Committee, in which he stated he would vote for the Bretton Woods proposals with the 5 amendments. As a member of Congress, Mr. Dewey was quite influential.

As yet no move has been made in Congress to introduce legislation to put into effect the Investment Bankers Association plan, advanced by John F. Fennelly, to provide small business with equity capital at a reasonable charge. Legislation would be necessary inasmuch as the Federal Reserve Banks would be required to grant liberal rediscount privileges for the debentures to be issued by the network of local investment companies. Moreover, Congress would have to approve the shifting of \$139 million from the Federal Deposit Insurance Corporation to the Federal Reserve System. While the plan is thought to be sound, there is still a question as to whether or not the spark of civic pride-- rather than the prospect of profits-- would be sufficient to raise the initial capital for the local investment companies.

Only urgent legislation will have much chance of going through Congress during the next few months. If the Administration can get the Bretton Woods plan through both Houses, it will be disposed to sit back and rest upon its laurels. Washington gets scorching hot during the summer and both the members of the Senate and the House will be in favor of taking it easy during the sweltering days of July and August. There is quite a backlog of legislation for which there is some support but virtually none of the bills comes under the heading of "must". A revision of the loan features of the GI Bill of Rights will come in time.

For some time, Chairman Eccles of the Federal Reserve Board has been endeavoring to get the backing of the American Bankers Association for the bill to empower Federal Reserve Banks to guarantee loans for reconversion purposes. The ABA is dead set against the further extension of governmental agencies in the loan field and is opposed to guarantees. Washington has felt reverberations from the recent tour which Robert M. Hanes has made as president of the Association of Reserve City Bankers. While his associate, Hugh H. McGee, scored banks for sign-

ing the Reconstruction Finance Corporation automatic loan agreement, Washington observers interpreted this action to mean that the wily bankers chose this as lesser of two evils. They wanted to cut the feet out from under the Smaller War Plants



Congressional Record

PROCEEDINGS AND DEBATES OF THE 78th CONGRESS, SECOND SESSION

Corporation in its mad scramble to enlarge its lending activities. While officials of the RFC deny that they had any such purpose in mind in bringing out the automatic loan plan under which the RFC guarantees 75% of any loan made by a bank, this disclaimer is regarded as purely one for the record.

Such widespread dissatisfaction exists over the loan features of the GI Bill of Rights that Congress is disposed to give the green light to new legislation to clear away obstacles to the smooth working of the law. Thus far, the Congressional leaders on Veterans' affairs have given priority to consideration of improving the hospitalization and medical care accorded veterans. Once this situation is remedied, it is reasonable to expect hearings will be called on the money side of veterans's affairs. The American Legion, it is understood, will take a vigorous stand to persuade Administrator Hines to support its 6 point program. If General Hines bucks, the American Legion will go direct to Congress and endeavor to have the legislation passed over his head.

There is a lamentable lack of knowledge on the part of members of Congress as to just what the GI Bill of Rights does provide in the way of loans. Statements on the floor of the House show that most members think GI loans are limited to \$2,000. Somehow or other, they simply cannot get into their heads the fact that the guarantee is 50% of the loan or \$2,000, whichever is the lesser. It would occasion little surprise if a proposal were made for direct loans from governmental agencies, limited to \$2,000, to each veteran. Members of Congress are restive over what they regard as red tape and the "run-around" being given veterans. They blame the Law rather than the banks, however.

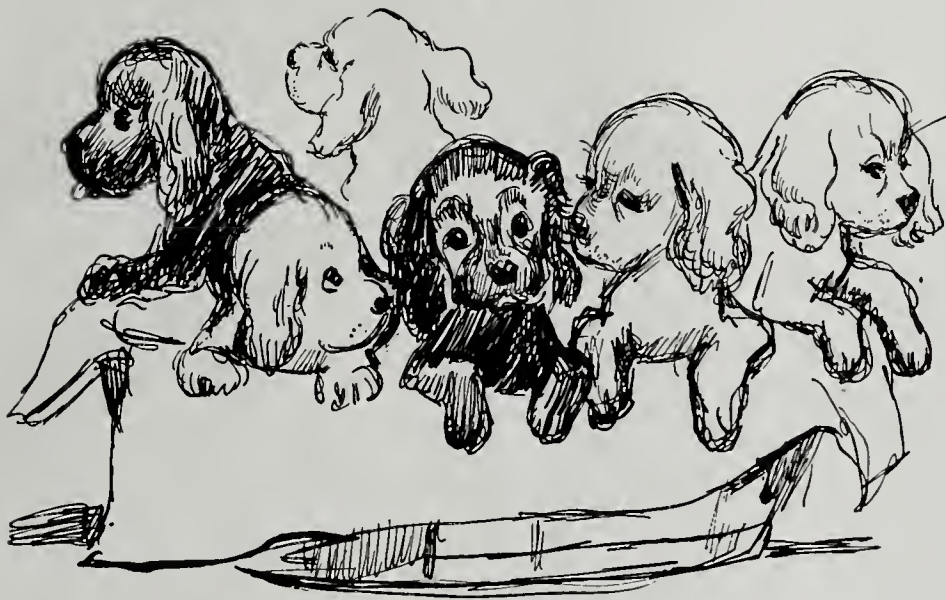
Senator Langer (Republican, North Dakota) has introduced a bill to amend the Servicemen's Readjustment Act to authorize the government to guarantee bank loans to veterans up to \$7,000 in individual cases. The bill has been referred to the Finance Committee. To be expected is an epidemic of bills in Congress, designed to increase payments to war veterans. There will be a flock of bonus bills and other legislation of this type. Such moves are regarded as good vote-getting procedure.

Some kind of credit insurance is essential to help small business get its fair share of international trade, according to Christian Sonne, chairman of the National Planning Association. The head of Amsinck, Sonne and Company has recommended to the Senate Special Committee to Study the Needs of Small Business that a federal foreign credit re-insurance organization be established. He thinks that exporters and importers should be permitted, through an amendment to the tax laws, to build up tax free reserves on their foreign risks and commitments. In the past, small exporters and importers have been unable to get banks to finance adequately their credit transactions, according to Mr. Sonne, and could not secure first-class co-insurance.

Mr. Sonne suggests that through the federal organization, risks might be re-insured to the extent of perhaps 50% of the total amount taken by the insurance companies, mainly on short term credits up to one year and to a lesser extent on credits not exceeding 5 years. Local credit insurance corporations would insure perhaps 80% of the risk involved. In turn, they would re-insure up to 50% of the total risk with the federal foreign credit re-insurance organization. Thus, the exporter would assume only 20% of the risk, the local insurance corporation 30%, and the federal organization 50%. He thinks that the federal organization should charge only a very small premium for insurance. The local company might charge an average rate of $1\frac{1}{2}\%$ with re-insurance as low as $\frac{3}{4}$ of 1%.

Under the Sonne plan, private interests would furnish the capital for the local organization while the Treasury would provide capital for the federal organization. In the early '50s, Mr. Sonne predicts an export trade of \$10 billion annually.





This is a family affair

We believe we have something mighty unusual in the business world. It's a kinship with our Correspondent Banks which — quite literally — money can't buy.

It begins with sincere mutual friendship and respect. It thrives on genuine helpfulness and co-operation.

Everything we have at The Pennsylvania Company is freely offered to our Correspondents at all times. (Considering that we are not only a large bank, but also one of the oldest and largest Trust Companies in the United

States, our experience and facilities are about as wide as they come.)

One thing our Correspondents like particularly is the speed with which we handle transit items. We are one of the nation's largest users of air mail for check collection purposes, so, in effect, our speed is limited only by the speed of the airplane.

Next time you talk to one of our Correspondents, ask him about our relationship. We believe he will tell you, as we have, that it's very definitely "a family affair."

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LIVES AND GRANTING
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RESOURCES EXCEED ONE BILLION DOLLARS

MEMBER F. D. I. C.

FINANCE'S page for the QUICK READER



A CODE OF ETHICS to govern the loaning policy of the large banks has been under discussion as the result of the recent trans-continental swing of Robert M. Hanes, president of the Association of Reserve City Bankers. He has met with big city bankers in many of the financial centers.

It appears unlikely that an attempt will be made to formulate a code because this might lead to action by the Department of Justice on the ground that this was, in effect, an effort to restrain and control rates at which credit might be made available to borrowers. This is delicate ground upon which careful bankers are hardly inclined to tread.

IT IS POSSIBLE that there may be a statement of principles, which would serve as a guide for relationships between big city banks and their correspondents.

Farseeing banks have always emphasized the desire to *supplement* the services of their correspondents, rather than to *supplant* them. Inasmuch as the legal loaning limit to a single borrower is usually 10% of capital and surplus, banks in the smaller centers under ordinary conditions can not provide all of the credit that some of the larger industrial plants and manufacturers need. This makes it necessary for the borrower to seek accommodation from the big city banks, with their larger lending power. How to work together is the problem presented.

THERE IS NO widespread dissatisfaction with the correspondent banking system. At least 80% of the smaller banks are satisfied with the way in which the correspondent banking system operates. The American Bankers Association is conducting a far-reaching opinion poll among the smaller banks to determine whether or not they are satisfied with the working of the system and what services on the part of their correspondents they value most highly. The first wave of questionnaires went out to approximately 500 handpicked banks and they were asked to set forth their views. About 80% of these banks replied that they believed the correspondent bank system was working as well as could be

expected and had no definite suggestions to advance as to how the services of the big city banks might be more helpful. In order of value, the smaller banks indicated that counsel and guidance in determining the proper structure of their government bond account stood first. Next in order came assistance in handling excess lines of credit, while third was help in dealing with bank operating problems . . . passing on the "know how."

THE LEADERS in the American Bankers Association and in the Association of Reserve City Bankers believe that everything possible should be done to discourage the growth of government guarantees of loans extended by chartered banks. They believe that there should be a return to self reliance and that the bankers should stand on their own feet rather than look to the government for guarantees to cut down the risk of loss they run on loans made for the benefit of their customers.

Banks in some centers are particularly critical of those in the middle-west, which have qualified to make loans under the automatic blanket guarantee offered by the Reconstruction Finance Corporation. Undoubtedly, one of the factors influencing the banks which have signed up has been the feeling on their part that government guarantees are going to be a part of the postwar credit picture and that they would rather work with the Reconstruction Finance Corporation rather than have the Smaller War Plants Corporation undertake the job on an even more favorable basis of guaranteed percentages. The RFC, it is understood, proposes to retire from the field as soon as the period of postwar reconversion is over, whereas the Smaller War Plants Corporation is endeavoring to dig in and set itself up as a permanent credit adjunct in the federal field of banking.

ROBERT M. HANES, as president of the Association of Reserve City Bankers, is regarded as somewhat of a crusader and no one has raised any doubts as to his sincerity in believing that vigorous steps must be taken to head off the socialization of credit. Mr. Hanes believes that the correspondent banking system should

be used to the utmost and that in its use rests the hope that the independent banking system may head off moves on the part of federal agencies to displace private enterprise in banking.

PERHAPS THE MOST apt statement of what commercial banks must do to perpetuate the independent banking system is credited to A. L. M. Wiggins, former president of the American Bankers Association. "We bankers have got to lend money over the fence instead of over the counter," he said. By this, he meant that the bankers had to become salesmen in the true sense and go outside of their banks to find suitable loans. It is not enough, in his opinion, for bankers to console themselves with the trite old statement: "We make all the good loans that come to us." His idea is to go out and get them. Do a merchandising job.

ONE OF THE leading Chicago bankers frankly asserts that banks are being pressured to do things that are beyond the dictates of sound banking practice in order that they may head off government competition.

The idea that the big city banks should go out into the country districts and show small country banks how they might set up term loans for their customers — running over a period of years — is cited as an example. He asserts that if commercial banks get into trouble during the next few years, it will be because they have embarked upon term loans running from 5 to 8 years at low rates of interest. It was never intended, he asserts, that commercial banks should tie up their funds for such a long time. Moreover he is critical of banks for being willing to go along with the extremists in the matter of low rates and length of term loans.

ALL IN ALL, it must be admitted that this is a period of self-examination on the part of banks throughout the United States. Hardly ever before have they made a more soul-searching examination to determine whether or not they are following policies that will lead to their taking a full share of their responsibility for providing credit for the needs of business, agriculture and industry.

Year after year hundreds of American banks use Central Hanover as their New York correspondent because they like the wide experience and care it brings to the protection of their interests and the handling of their business.

For example, 278 banking institutions have been correspondents continuously for more than half a century.

Central Hanover gives individualized attention to individual needs.



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Setting a Trap for the Black Marketeer

Treasury Orders Banks to Report Currency Deals That Seem Unusual

A TRAP is being laid for the income tax evader and the operator in the black market.

The trap, already baited with big bills of \$50, \$100 and \$1,000 denominations, will be sprung by the Treasury through the tell-tale evidence of marked money.

The Treasury, invoking the use of its authority under the War Powers Act, has called upon the banks—and all other financial institutions cashing checks and exchanging currency—to report all suspicious large transactions in currency deposits and withdrawals. Starting on July 15, when the monthly report for June is to be filed, the financial institutions of the country must make a far-reaching revelation of cash dealings in big bills—the only trace-covering medium of exchange in the black market.

Voluntary Efforts Failed

Secretary of the Treasury Morgenthau is on record as stating that at least a billion dollars in taxes and penalties can be recovered by the federal treasury through cracking down on the income tax cheaters and black

market operators. A legion of 10,000 agents would be hired to follow up the leads that unusual currency transactions provide and to check up on income tax returns. President Truman is strongly in favor of the program.

Starting on June 1, the banks, trust companies, private bankers, investment bankers, savings & loan associations, security and commodity brokers and currency exchanges, were instructed to report all suspicious types of transactions in currency deposits and withdrawals. Unless, in the judgment of the each financial institution the transaction was "commensurate with the legitimate and customary conduct of the business, industry, or profession of the person or organization concerned," it was mandatory that a report be filed in each case where \$1,000 or more was obtained in currency in \$50 bills or larger denominations or where \$10,000 or more in currency was involved.

Left to the discretion of the bankers will be the decision as to what currency transactions should be regarded as "legitimate and customary." Here is where the judgment of the

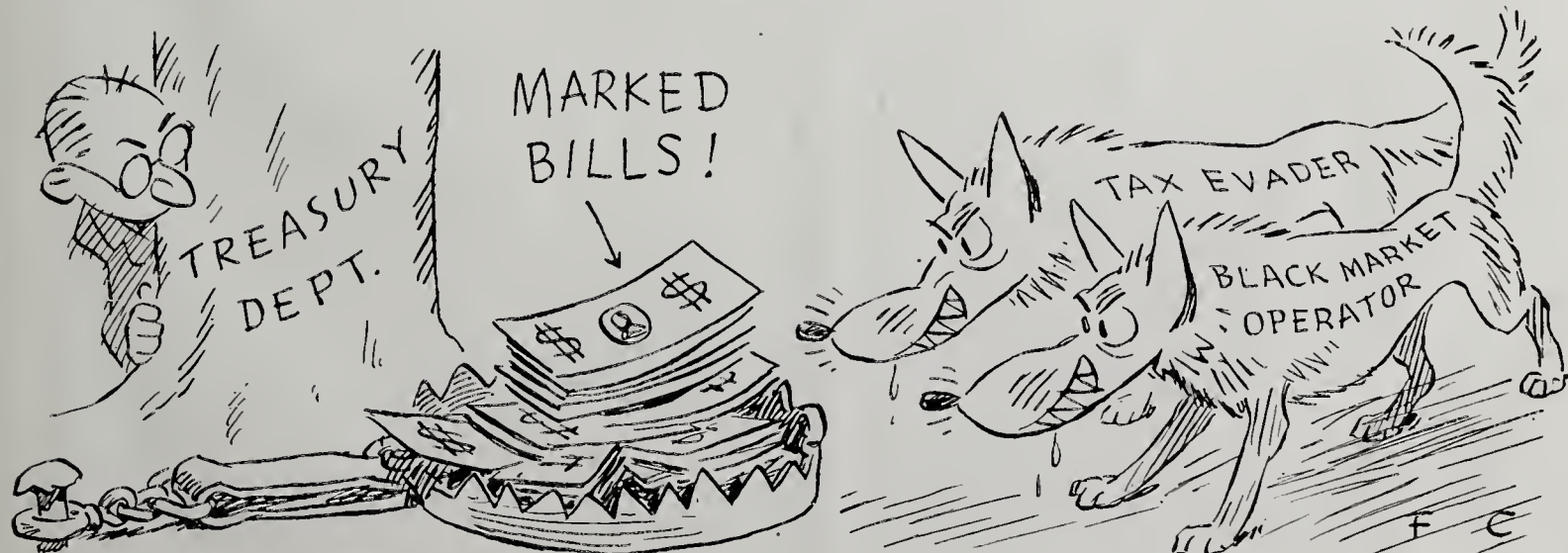
banker will come into play. What is "customary"? How should business be defined? Over a period of time, the banks have learned something as to what the usual requirements of the various customers are—but it is quite apparent that each case must be considered on its individual merits. Payrolls during wartimes have swollen but the banks are well acquainted with the ordinary withdrawals of currency for payrolls and for other purposes.

Legal Basis for Order

The legal basis for the order stems from the Trading with the Enemy Act of 1917, as amended and repeated in the War Powers Act of 1941. President Roosevelt conferred these powers upon the Treasury Department in 1942.

While no mention was made in the order that was issued to the financial institutions of the penalties that the law carries for willful violation, a fine of \$10,000 or a 10 year sentence to prison—or both—may be inflicted for failure to report these currency transactions.

No sooner had the order been issued than banks throughout the country took immediate steps to comply with the Treasury's directions. The general policy of the banks—and other financial institutions—will be to acquaint all customers with the fact that they have no choice but to report unusual transactions to the Federal Reserve banks, which will transmit the information to the Treasury and thus to the T-men. In virtually every bank, the tellers have been instructed



Morgenthau Used War Powers

When the courts seek banking records, it is the invariable practice of the banks to require a subpoena before they will provide this confidential information. If they did otherwise, their customers might have grounds for filing suits demanding damages. Since the Secretary of the Treasury invoked the law and issued orders for the banks and other financial institutions to report all currency transactions, they have no other recourse.

The amount of currency in circulation is at an all-time high—at \$26½ billions. Unquestionably, safe deposit boxes and other hiding places for treasure are crammed full of bills of big denominations. This hoarding of currency can not be attributed to public fear as to the goodness of the dollar. The fact that more than \$8 billions is represented by bills of big denominations refutes this.

The "Grand"—the underworld word for a \$1,000 bill—is reputed to be the favorite piece of currency for

FORM TCR-1: REPORT OF CURRENCY TRANSACTIONS

Pursuant to Instructions to Financial Institutions in the
United States prescribed May 21, 1945

Part A. FINANCIAL INSTITUTION REPORTING.

1. Name.....
2. Address.....
- (Number) (Street) (City) (State)

Part B. PERSON OR ORGANIZATION CONCERNED IN TRANSACTIONS REPORTED.

1. Name.....
2. Address.....
(Number) (Street) (City) (State)
3. Business, profession, or occupation.....

Part C. TRANSACTIONS REPORTED.

1. Description of transactions.

[illegible]

2. Full statement of the reasons why, in the judgment of the financial institution reporting, the transactions exceed those commensurate with the legitimate and customary conduct of the business, industry, or profession of the person or organization concerned.

Mr. Morgenthau stated a patent truth when he said: "No honest person needs to fear the results of our investigation." However the Secretary of the Treasury knows that big deals in the black market have been settled in cash—rather than through the customary issue of checks, with invoices and vouchers attached. There is now approximately \$8 billions in currency of big denominations—\$50 and up—outstanding. This is nearly a third of all money—coins and bills—in circulation. Where huge profits have been made through black market operations, he has reasoned that most of these individuals have not reported the profits for federal income purposes. His hunch is that black market profits and tax evasion have gone along hand in hand.

Banks Have Records

For many years, it has been the operating practice of major banks to have the receiving tellers jot down

During the first years of the war, the Federal Bureau of Investigation enlisted the aid of the banks to keep records of big bills, which it was thought might be used to pay off saboteurs in the various industrial plants.

Secretary Morgenthau was asked by one of the Washington correspondents covering the Treasury whether he might extend the dragnet to an examination of safe deposit boxes. "I wouldn't mind having that authority, too," Mr. Morgenthau replied. However, there are no definite plans along these lines and it is not believed that the Treasury will ask Congress for

(Continued on page 38)

Federal Reserve Will Enforce Regulation Q

Bankers Hold Meeting at Memphis And Agree to Adopt Uniform Policy

STRICT enforcement of Regulation Q, which bars banks from absorbing exchange charges for their customers, will start on August 1.

The Federal Reserve Board is expected to issue a statement shortly announcing this firm policy. A meeting of more than 50 bankers from the principal cities in the St. Louis, Atlanta, Dallas and Cleveland Federal Reserve districts was held in Memphis on June 5 at which all angles of this vexatious banking problem were discussed. At the end of an all-day meeting, a resolution was offered by one of the participating bankers expressing favor for strict enforcement of Regulation Q. Previously Governor John K. McKee, who is now handling the matter for the Federal Reserve Board, gave assurance to the assembled bankers that the banks in all cities would be treated alike and that violations, after August 1, would be prosecuted to the limit.

McKee Represents Board

The meeting in Memphis was opened by Chester C. Davis, president of the Federal Reserve Bank of St. Louis, inasmuch as Memphis is in the St. Louis district. Following President Davis, Governor McKee made it clear that the Federal Reserve Board proposed to enforce Regulation Q because it had no recourse but to carry out the law, which bars the payment of interest on demand deposits through any direct or indirect device.

Bankers from Cincinnati to Houston, Texas, were present at the Mem-

phis meeting, which was held on an off-the-record basis. Banks in Louisville, St. Louis, Atlanta, Nashville, Chattanooga, Knoxville, Birmingham, New Orleans, Little Rock, Shreveport, Dallas, Houston, Jackson, Mississippi, and other cities were in attendance. While banks in a number of these cities have not been absorbing exchange, they wished to satisfy themselves that there would be no exceptions and that none of the other cities would have a competitive advantage.

There were a number of lengthy speeches during the day. J. T. Brown, president of the Capitol National Bank of Jackson, Mississippi, who has been in the forefront of this fight for several years, defended the practice of the absorption of exchange and pointed out that Mississippi banks would be particularly hard hit by Regulation Q. During the airing of the question, it was conceded that some inequities might result but the banks should not complain if all of them were treated alike and on the same basis.

It is understood that the examiners will be instructed not to report as violations picayunish absorptions, running less than \$2 an account each month. While there is to be no specific allowance on any account it is recognized that errors may be made, accounts closed before exchange charges are collected and that provision should be made for little nuisance items.

The resolution adopted by the assembled bankers before the day was over included the suggestion that the

Federal Reserve Board should seek the co-operation of the Federal Deposit Insurance Corporation in having a uniform policy. Before the vote was taken, Governor McKee was questioned to make sure that the bankers might depend upon vigorous action to prosecute violators of the regulation. In unmistakable terms, Governor McKee said an unrelenting policy would be adopted.

A Hurried Call

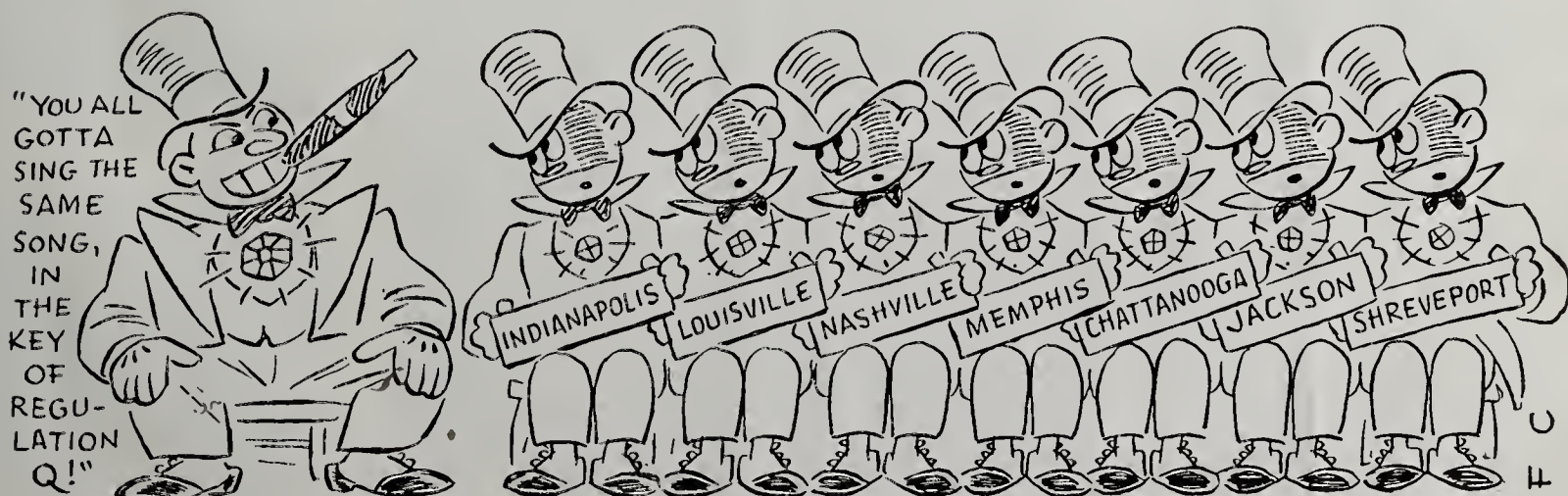
A hurried call for the Memphis meeting was sent out by the presidents of the 4 Reserve banks. Why such short notice was given was not revealed. However, the job of bringing all bankers into line was recently entrusted to John McKee, a big, hard-hitting, Stogie-smoking member of the Board. The enforcement of Regulation Q rests with the Board and it decided that there was no occasion to permit the banks to persist in such a glaring mumpsimus. (*Definition: An error . . . which one obstinately refuses to abandon.*)

On the firing line, Chester C. Davis, president of the St. Louis Federal Reserve Bank, has taken the most active part in seeking to compose the differences existing among the commercial banks. For instance, he held two meetings with the Louisville bankers before the Memphis round-up session was called.

Paraphrasing the popular song, Governor McKee told the assembled bankers that they should "accentuate the sumpsimus, eliminate the mumpsimus and don't mix with Mister Absorption in between."

It will be recalled that several weeks ago the Comptroller of the Currency and the Federal Reserve Board sent out more than 50 letters to boards of directors of banks in Louisville, Nashville, Chattanooga, Jackson, Palm Beach, Jacksonville, Florida, and other cities stating that recent reports of examination indicated that the banks, of

(Continued on page 36)





Dramatizing the Mighty 7th

Through Striking Displays and Exhibits, Banks Throughout Country Promote Sale of War Bonds

FROM Wall Street in New York to Powell Street in San Francisco—from Five Points at Atlanta to La Salle Street in Chicago—the banks of the country are dramatizing the Mighty 7th War Loan Drive.

With Ted Gamble at Washington the directing genius, one of the most colorful national publicity efforts is putting the drive over the top, with posters, replicas, lobby displays and just about every razzle-dazzling stunt that can be devised to carry out the spirit of James Montgomery Flagg's poster showing Uncle Sam, with his dander up, monkey wrench in hand, warning: "Jap . . . You're next!"

THE Anglo California National Bank of San Francisco used a huge three dimensional display to show

what an investment in war bonds would buy in wartime for our armed forces and in peacetime for the purchaser. (The photograph at the top of the page shows an amphibious invasion of a Jap-held island. Model ships, ranging in size from landing craft to powerful aircraft carriers, are shown off-shore. Planes, overhead, are attacking Jap strong points, while landing forces are wading ashore to gain a bridgehead.) The most novel feature of the exhibition is a battery of electric push buttons arranged along the front and sides. When a button is pressed, a small concealed light illuminates a miniature of the article of war equipment, which the investment of an indicated amount in war bonds will buy. The \$18.75 button illuminates the bazooka, the



\$7,500 button the 2½-ton amphibious "duck." There is a price tag on all implements of war.

On the other side of the display is an imaginative miniature of a postwar city, with modernistic homes, super-airport with helicopter landing roof, radar equipped automobiles and traffic bearing free-ways. The push-buttons flash lights that show what accumulated savings will buy.

ON Wall street, under the shadow of the famous statue of George Washington on the steps of the Sub-Treasury, the Chase National Bank—the world's largest bank—reproduced the balcony of old Federal Hall, first U. S. Capitol under the Constitution. Girls in colonial dress take subscriptions for War Bonds on the spot where George Washington took the oath of office in 1789.

To be observed is the graphic chart which puts the B-29's directly over Tokyo when the War Loan Drive hits the billion dollar mark.

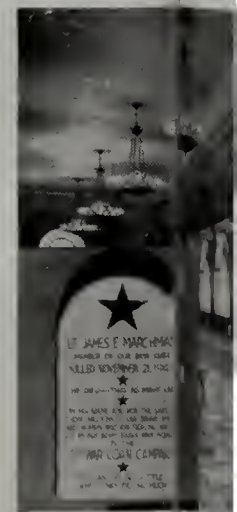
Typical of the more conventional—but strikingly impressive way—that many banks are adopting to promote the drive is the entrance to the Central Hanover Bank and Trust Company of New York, where under the banner of Victory the American Eagle spread its wings over the shield of the 7th War Loan.

THE stirring scene of the American flag being raised over Iwo Jima, the theme of the Mighty 7th, was depicted in virtually every way—in posters, paintings, panoramas.

Jack Lambert, *Chicago Sun* cartoonist, is shown here presenting Lawrence Stern, president of the American National Bank & Trust Company of Chicago, with his original painting of the Iwo Jima flag raising taken from Associated Press photographer Rosenthal's memorable photo.

Mr. Stern is heading drive in Chicago.

Among the major Bankers Trust Company of New York stood out for its exhibits and displays. A monument, depicting the scene on the main banking floor of the Avenue office in New York. In St. Louis, the Federal National Bank featured a play of ship models on the U. S. Navy. Actual Naval combat and scenes ranging from the battle to floating drydocks—publicly as a group for A special display from the





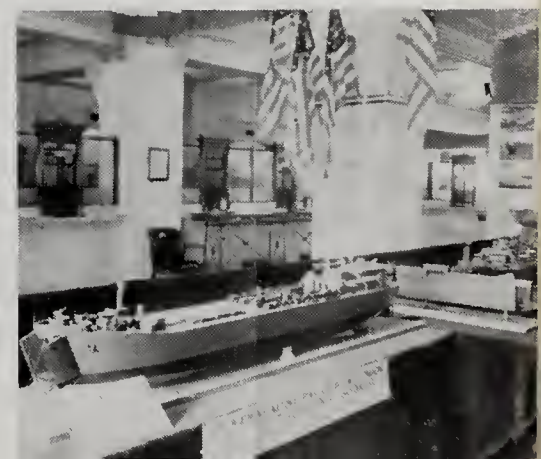
Stern is leading the War Loan drive in Chicago.

Among the major banks, the Bankers Trust Company of New York stood out for its remarkable exhibits and displays. It erected a monument, depicting the flag raising on the main banking floor of its Fifth Avenue office in New York.

In St. Louis, the Boatmen's National Bank featured a lobby display of ship models on loan from the U.S. Navy. Actual scale models of naval combat and service ships — ranging from the battleship *Tennessee* floating docks — were displayed publicly as a group for the first time. A special deal from the Coast Guard

protected the valuable models. Tom K. Smith, president of the Boatmen's Bank, heads the American Bankers' organization promoting the 7th drive.

In Atlanta, the Citizens and Southern National Bank erected 7 foot memorials in the bays of its block-long lobby as a tribute to its ten Gold Star Service Men. Edged with a narrow red, white and blue border, each memorial was headed with a huge gold star beneath which appears the name and rank of the service man and the date on which he was killed. Below his name is a fighting appeal to the home front to buy some extra bonds. This is how banking is arousing the home front to a fighting pitch.





Charles Buesching's Busy Career

The Borrower's Capacity to Perform Rather Than His Financial Standing Has Guided This Outstanding Indiana Banker in His Loan Policy

CHARLEY BUESCHING has always been a hard worker—but the incredible part of his career is that he has always found “extra time” to do something more.

No little part of his success in life may be attributed to his philosophy that it is smart for anyone to do a little more than is expected of him for his employer, his home community and for his customers. It was this philosophy that explained why, when he was elected president of the Lincoln National Bank & Trust Company of Fort Wayne at the age of 30, he was hailed as the youngest man in Indiana to be elected president of a national bank, and why today he is the chief executive of the largest bank in the state outside of Indianapolis—the capitol city.

Getting into banking was more or less an accident. His father was a general contractor—and a successful one, at that. There were 11 children

in the family. Just before young Charley graduated from high school, he had severe migraine headaches. The family physician advanced the belief that rather than go on to college, he should get an outside job, where he could do manual work. If he followed this course, the doctor said, he believed a permanent cure might be expected. So Buesching Senior got a job for Buesching Junior as a carpenter's apprentice with a contracting firm. A few weeks later this firm was given the job of remodeling the building that was to serve as the first home of the German-American National Bank. This bank was founded by Samuel M. Foster, a man whose name has figured largely in the development of Fort Wayne for, in the same year, he also founded the Lincoln National Life Insurance Company—now a billion dollar institution.

Singularly enough, Carpenter's Apprentice Buesching's first job within

the bank was to scrape and sandpaper the floor of the office, which he later occupied as president! Some 8 months later—when the German-American bank had grown sufficiently to afford to hire a messenger, Mr. Foster called in the youngster and offered him “this great opportunity.” Although he was making \$30 a month as a carpenter's apprentice, the bank proffered him the handsome stipend of \$15 a month. While this was quite a cut, Charley Buesching took it. He had an eye to the future and it was not very long before he had persuaded the management to let him take a whirl at keeping the individual books.

He realized that he needed more education—so he used some of his “extra time” to take a course in accounting, penmanship and mathematics at the International Business College. One of his teachers was H. A. Popp, now one of the principal owners of his highly successful institution,

who championed the "oval movement" as a means of developing that beautiful Spencerian slant in hand writing art.

A Natural Born Salesman

Charley Buesching has always been a good mixer—and a natural born salesman. As a fledgling bank clerk, on his "extra time" he solicited new accounts—and with notable results. To enlarge his rather skimpy income at the bank, he started to sell life insurance on the side. His boss, Mr. Foster, was head of the Lincoln National Life, so there was no difficulty about making the necessary arrangements. Looking on approvingly was Theodore Wentz, the principal vice president of the German-American, who had an affectionate regard for the ambitious, hard working youngster and served as his counselor on any matter of importance.

As the years passed, he proved to be so successful as a salesman of life insurance that the late Arthur Hall, the president under whom the Lincoln National Life gained its greatest impetus, was urging him to leave banking and devote his full time as an executive of the insurance company. In fact, Theodore Wentz heard about this over the grapevine and concluded that he would have to do something immediately to offer a brighter monetary future or he would lose the services of this unquestionable comer. As a matter of fact, Charley Buesching had already arrived.

One day back in 1919, Theodore Wentz called Buesching, then an assistant cashier, to his desk.

"Charley," he said, "we have decided that we are going to create an investment subsidiary and operate a bond department." (This was just when security affiliates were coming into their heyday with virtually all of the big banks thoroughly impressed with the profit possibilities of bond departments.) "I want you to go to Chicago and take the training course in bond salesmanship that the fine old firm of William A. Read & Company (now Dillon, Read & Co.) is conducting. When you come back, we'll put you in charge of the company and I'm sure that you'll make just as much of a success in this new venture as you have in commercial banking."

Theodore Wentz had great confidence in the young banker. He had kept an eye on him from the days when he had started as a messenger in the German-American Bank when there were only five employees and had watched him move right up the ladder to become an officer of the Lincoln National. On the way up, he had served as general bookkeeper,

assistant teller, paying teller and, in fact, had worked in every department of the bank before his election as an officer at the age of 23. That the youngster would get ahead in the world was never in doubt because he had a driving ambition and a rare talent among men who can pass soundly on credits—the ability to sell. Seasoned bankers will tell you that credit judgment is just like personality—you are either born with it or you haven't got it.

For several weeks in Chicago, Charley Buesching went to school. He learned how to read and interpret bond circulars. He became skilled in the analysis of financial statements of corporations and even of foreign nations—for this was a time when foreign issues were being brought out with such nations as Switzerland paying 8% interest on a long term bond. He rang doorbells in Englewood to get experience in selling bonds to "cold prospects." Most of the training course covered familiar ground for him but he did learn a great deal about how the bond syndicates worked and how to get on the preferred lists.

Closing a Good Deal

When he returned to Fort Wayne, his great and good friend, Theodore Wentz, called him over to his desk. As assistant cashier of the bank, he had been drawing a salary of \$2,000.

"Now that you are back, Charley," the First vice president said, "we want to start you out on the right basis. Your annual salary will be \$7,000."

This was, of course, a tremendous step up in pay so Mr. Wentz was somewhat surprised when he drew no immediate response from his associate.

Puzzled by the reaction, Mr. Wentz pressed for comment. (He knew that the Lincoln National Life was hot on Charley's trail.)

"I'd like to think that over," Charley Buesching told him. "So suppose we put this over until sometime later."

The next day the young banker sat down with his old friend, who had guided him for years. He said that, while he was greatly flattered by the proposed increase and felt confident of his ability to make a success of the securities affiliate, he believed that some of the directors might look askance at the new salary figure, especially as it was a larger sum than that drawn by Mr. Wentz. So he submitted this counter proposition—he would run the show for one-fourth of the gross profits.

This basis of compensation was agreed to. It proved to be a boon for the youngster, who had faith in



Charles Buesching

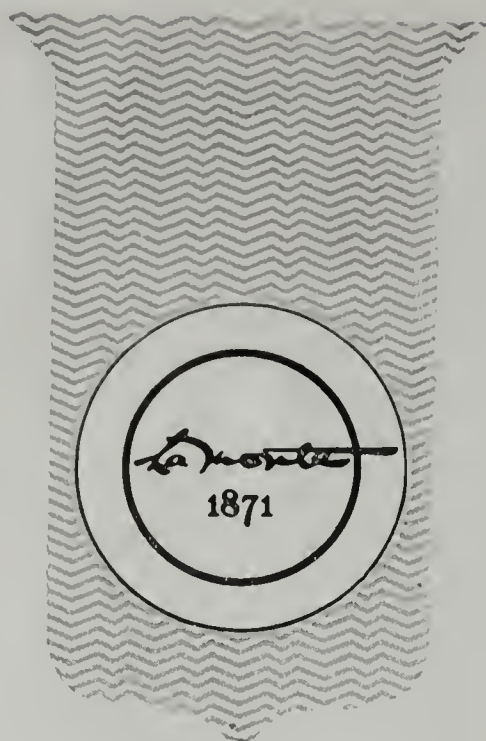
... in his office hangs a striking portrait of Abraham Lincoln, who spent his youth in Indiana.

his own ability to deliver. The first year, his fourth of the profits amounted to \$22,000 and, during the succeeding years, it ran far beyond top banking salaries. In fact, it provided the money that enabled him later to acquire the largest interest of any single stockholder in the Lincoln National Bank.

The securities company was on all of the preferred lists, for, under the direction of Charley Buesching, it demonstrated the dependable ability to distribute a substantial block of stock or bonds. One of the biggest deals that he put over was in Munsingwear, Inc., stock. This company had acquired the Wayne Knitting Mills, which had a big operation in Fort Wayne, so that Munsingwear was indirectly well known to local investors. Nevertheless, it made some of the conservative members of the board gasp when they learned that the securities affiliate had made a firm commitment to take 25,000 shares at \$42—a million dollar deal in a single stock! A drop of a few points might have proved cataclysmic.

This knowledge of all angles of the securities business came in mighty handy during the period that Charley Buesching realistically refers to as "the banking panic." For like other sections, Fort Wayne and the surrounding territory had their ups and downs.

In 1905, the city boasted of 9 banks, with total footings of \$14,022,000. A decade later, there were 8 banks with totals of \$28,221,000. In 1925, as the Coolidge boom was getting under way, the city named for "Mad Anthony" Wayne pointed with pride to 12 banks,



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with footings of \$71,379,000. After the nationwide suspension of banks, euphemistically called "the banking holiday," there were just 2 banks that survived. By 1935, there were 4 banks with total footings of \$35,431,000. At the close of 1944, 5 banks had total resources of \$154,843,000. The Lincoln National, with \$64,811,000, was the largest bank in Indiana outside of the capitol city of the state.

Time of Trial

During the period between the stock market crash in 1929 and the reopening of banks in 1933, banking was not a business—it was a calamity. This was truly a time that put bank management to its severest test and demonstrated whether the top men in banking could keep stout hearts and cool heads.

It was a time of midnight "rescue parties," especially when country banks started to pop like firecrackers and the surviving banks had to borrow to the utmost to keep up with the withdrawal of deposits—to keep open. The Lincoln National served as correspondent for 35 or 40 banks in the vicinity of Fort Wayne, and when "silent runs" started, they looked to Charley Buesching and his associates not only for counsel but for loans.

Loans by the big city correspondents were secured in virtually all cases by stocks and bonds listed on the New York Stock Exchange or the Curb. However, country banks at that time did not have a great deal of "general market" collateral, so the most helpful loans were those made against customers' notes, mortgages in good standing and other paper, which could hardly be rated as liquid. In passing upon the loans, the lending institution had to examine each note carefully and look into the goodness of the maker. Not only did the Lincoln National take care of its own shrinkage in deposits from \$12 million to \$5 million but, at the same time, it loaned \$1,500,000 to the smaller country banks in and around Fort Wayne.

Recognized as the leading banker in northern Indiana, Charley Buesching was hastily summoned to attend midnight parleys called to "save the situation," usually created by the closing of a bank that could not make the grade. Inevitably, the suspension of one bank led to runs on those that remained open—so it was necessary for them to fortify in advance for the coming shock. The Fort Wayne banker qualified in every way as a bold and battle scarred veteran, the stalwart of numberless financial conflicts, for he was always outwardly calm and cheerful. The ability to keep his chin

up has always been one of his chief personal characteristics.

He knows human psychology. Illustrative of this was the incident that happened at Decatur, Indiana, where a run was in progress on one of the Lincoln's correspondent banks. Accompanied by John Utt, then one of his vice presidents and now vice president of the City National Bank & Trust Company of Chicago, he gathered together \$200,000 in currency and packed it in a huge suitcase. Marching into the bank while a long line of panicky depositors were clamoring to reach the teller's window to withdraw their funds, the suitcase "accidentally" spilled open—revealing thousands and thousands of dollars in currency. Word spread around town that the bank had enough currency on hand to pay off its entire deposits—the run subsided and the crisis was over. Such missions as these were done on his "extra time" for closings of banks in Fort Wayne brought the situation nearer to home and kept him right on the job.

An Unorthodox Lender

By the accepted standards of banking, Charley Buesching might be known as an *unorthodox* loaning officer. Once he has sized up a man and has been convinced that he has integrity and character, these traits of character rather than the financial statement have controlled him in his decision to make a loan. "Capacity to perform" has been the basis for many loans that have led to the building of great industries in Fort Wayne.

Today—a man, who was a push cart junk peddler when Charley Buesching made him a \$2,000 loan, can write his check for a million dollars!

Because he was willing to make a mortgage loan for \$40,000 at the depth of the depression to a metal manufacturer to enable him to put up a plant, this business today is the world's largest manufacturer of a certain type of metal products and Fort Wayne has an industry giving employment to hundreds. (A wealthy capitalist had promised to make the mortgage loan but, when he changed his mind because he was admittedly scared as to the future, the Fort Wayne banker stout-heartedly decided that, if a good but slow \$40,000 loan, would close his bank, he would assume that risk.)

During the 39 years Charley Buesching has been in banking, he has had a great and abiding faith in Fort Wayne.

"If you build a man, who is suc-
(Continued on page 39)

American Legion Seeks 6 Changes in GI Loans

Will Ask Congress to Amend Law So That Veteran Loans May Be Speeded

THE American Legion is taking the lead to make the loan features of the GI Bill of Rights workable.

Legislation is to be proposed to Congress under a 6 point program, as the result of a two day conference held in Washington recently by Legion officials with experts from all types of financial institutions.

Speeding up the processing of GI loans will be accomplished through amendments to the present law and changes in the regulations of the Veterans Administration. It will be necessary for Congress to hold hearings on a bill, which has already been introduced in the Senate by Senator Johnson of Colorado and in the House by Representative Rankin of Mississippi, before the program can assume definite shape.

Allen Points

The financial experts were invited to the Washington conference by Colonel John Thomas Taylor, veteran legislative director of the Legion, who frankly stated that the loan features of the GI Bill of Rights was not working and asked what should be done to make it click.

Led off by W. B. (Bud) Allen, vice president of the Continental Illinois National Bank and Trust Company of Chicago and a member of the American Bankers Association's Committee on Service to Veterans, the financial experts pointed out the barriers to GI loans erected by restrictive provisions of the law and the regulations of the Veterans Administration. For two days, Legislative Director Taylor and other legion officials heard why more loans were not being made to the returning veterans, even to those whose background, character and experience might entitle them to a partially guaranteed government loan. In his opening remarks, "Bud" Allen mentioned all six of the desirable amendments.

At the conclusion of the conference, the financial experts were agreed that, if the 6 point program were adopted by Congress, the making of loans would be facilitated and, with an alternate plan covering business loans, it would be possible for the financial institutions to be more liberal.



W. B. Allen
... pointed the way.

From the practical standpoint, the most important change proposed was that the banks make the business loans first and obtain the guarantees later, in the same fashion that FHA insurance is now obtained on loans under that system.

If Congress adopts the amendments to be proposed by the American Legion, GI business loans might be made under two plans. The present law provides a 50% guarantee of a loan or \$2,000, whichever is lower. The alternate plan, proposed by the financial institutions and approved by the American Legion legislative director, would provide a blanket percentage guarantee of all loans made by a single institution. A 15% cumulative guarantee has been suggested to cover GI business loans. Thus if a financial institution made 100 GI loans of \$4,000 each, it would have an aggregate guaranty fund of 15% of \$400,000. Thus it would have a cumulative guarantee or insurance of \$60,000. In event the losses of the financial institution on these 100 GI loans amounted to less than \$60,000, there would be a 100% guarantee. In principle, the alternate plan would work just like the FHA arrangement insuring loans by qualified institutions.

The strong feature of the alternate plan, as outlined by the financial experts who sat in the conference with the American Legion officials, is the fact that the loan would be made by the banks and possibly by other financial institutions first and the guarantee obtained later. This would speed up the making of the loans. The veteran would be able to get an answer on an application within a day or two rather than encounter a waiting period of 3 or 4 weeks, as is now the case. The financial institution would know, in advance, what the requirements of the Veterans Administration would be for the insurance or guarantee, just as they know what the FHA requires for the insurance of a loan now made by the banks. If it failed to obtain the insurance or guarantee, the bank would have to carry the loan on its own.

Colonel Taylor, in announcing the 6 point program, said: "The financial experts agreed that the GI Bill of Rights can be made to work with added interest and effort on the part of the lending institutions, with a minimum of changes in the bill itself, and a liberalization of the hampering restrictions imposed by the Veterans Administration. They declared that the chief obstacles to efficient operation of the loan provisions are to be found not in the law itself but in the red tape and narrow interpretations which those regulations create."

The 6 Points

Here are the six major changes advocated:

✚ Amendment to the GI Bill to permit small business loans for working capital and inventories, not now covered by the bill. It was agreed that hardship is worked on some veterans seeking to enter business who are unable to obtain the necessary loans to operate and stock a store, restaurant, or other business enterprise.

✚ Liberalization of the veteran's administration's interpretation of the "reasonable normal value" clause of the GI Bill. The bill restricts the guarantee of loans to those which represent a "reasonable normal value" of the property or business to be purchased. Financial experts said that this language has been interpreted so rigidly as to bar thousands of veterans from obtaining sound loans. They proposed that a margin of 5 per cent be allowed to cover the difference between the field appraisal of "reasonable normal value" and the final appraisal.

✚ Speeding up the issuance of a veteran's certificate of eligibility, which is a statement of his military

record and type of discharge. At present, the certificate cannot be applied for until the veteran asks for a loan; and the loan cannot be set in motion until the certificate is obtained—sometimes a matter of three or four weeks. Bankers proposed that the loan application be submitted to the veterans administration simultaneously with the application for a certificate of eligibility—thus saving as much as four weeks in getting the money into the hands of the veteran.

✚ Speeding up the making of loans. The financial experts recommended that a procedure be adopted similar to that used by the FHA; that the lender be authorized to make the loan, and then apply for a guarantee under the GI Bill. It was pointed out that bankers are familiar enough with the regulations to estimate when a loan will be eligible for a GI guarantee. If the guarantee is later refused by the Veterans Administration, the banker must carry the loan himself.

✚ Broader guarantee base. The experts proposed that business loans be handled on terms similar to FHA loans. Instead of an individual guarantee of 50 per cent of a loan up to \$2,000, they proposed a blanket percentage guarantee of all loans made

by a single institution, with a limit on any individual loan. This amendment to the bill was proposed as an alternate to the present business loan provisions, which would be retained.

✚ Freer selection of appraisers. At present the veterans administration designates the appraiser to evaluate the property to be purchased by a veteran. The financial experts recommended that the veterans administration publish a list of approved appraisers for each community, and allow the lending institution to select an appraiser from that list to evaluate each loan.

At Time of Discharge

Colonel Taylor informed FINANCE that the American Legion would seek to have the War Department issue a loan certificate of eligibility at the time a soldier is discharged from the service. He has not yet taken up the matter with the War Department but stated that this request would be made. Doubtless, the same procedure will be suggested to the Navy, the Marine Corps and the Maritime Commission.

The Legion's legislative director is planning to call on General Frank T. Hines, Veterans Administrator, to acquaint him with the results of the conference with the financial experts, and

to learn if he is willing to go along with the changes in the regulations sought and if he will join in recommending the various amendments to the basic law. At this writing, Colonel Taylor, who has been participating in other hearings affecting the welfare of the veterans, has not yet conferred with General Hines so it is not known what the attitude of the Veterans Administration will be. The officials of the Veterans Administration have evinced a readiness to cooperate with the various financing institutions in every way possible. The regulations had to be drawn within the framework of the law, which was hastily drawn by Congress and contained such hamstringing provisions as the requirement of "reasonable normal value" governing loans on homes, farms and business properties.

It is considered likely, however, that the Veterans Administration may oppose some of the amendments—such as that permitting GI loans for the purpose of laying in inventories and supplies of goods. Inasmuch as a guaranty is only good until exhausted, it would last only for a few weeks if loans were permitted for working capital purposes. The Veterans Administration thinks the guaranty would be more valuable if used in connection with the purchase of a home or farm.

It is possible, of course, that Congress will go further than the American Legion suggests to remove the bottlenecks, which are now slowing up the making of the loans. There is now a delay of several weeks before a veteran can obtain an eligibility certificate. The Veterans Administration maintains a master file, containing a card for each veteran which shows whether or not he is eligible for an insured loan and whether or not he has made use of all or any part of the \$2,000 limit.

While the bankers propose that veterans apply for the certificate of eligibility at the same time the loan is submitted for guaranty, some think that the financing institutions might work on the basis of the discharge papers, as after World War I. When a veteran is separated from the service, the government could issue a loan certificate or certify on the discharge papers that he was eligible for the full amount of the \$2,000 guarantee. When a loan was made, the discharge papers could be endorsed to show the amount of the guaranty used. If the record of these loan transactions could be kept on the discharge papers of each individual veteran, this would speed up the whole operation. This would do away with the necessity of clearing everything with Washington.

CHEMICALS

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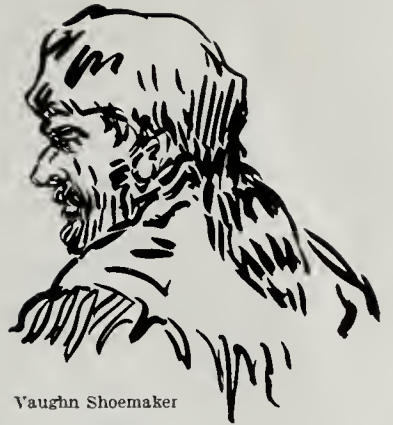
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Ontario Routs the Socialists

By Wellington Jeffers
Financial Editor, Toronto Mail and Globe

THE electors of Ontario routed the Canadian Co-Operative Federation (Socialist party) in the Provincial election on June 4. The Progressive administration of Premier George A. Drew, was returned to power with supporters from 66 out of 90 seats, instead of 38 as previously.

This is taken as conclusive evidence all over Canada that Canada's leading province rejects Socialist solutions to current problems and wants to be sure of a stable, strong government during the ticklish reconversion period. The socialist leader, E. B. Jolliffe, and Hon. Mitchell F. Hepburn, former Liberal Premier, were beaten in their own ridings. This was the first experience of defeat in Mr. Hepburn's 19 years of political life.

This political news is first-line financial, commercial, industrial and banking news as well because, both federally and provincially, the socialist objectives have been to take over the banks, all utilities, the insurance companies, and any large companies which might fall under the rather loose C.C.F. definition of monopolies.

And Now: The Dominion

Shortly after **FINANCE** goes to press, the Federal election on June 11 will show whether election returns from Canada as a whole march with the Ontario results. Leading Liberals in the government of Hon. W. L. Mackenzie King claim that the Ontario landslide can be interpreted simply as a defeat of the Socialists and not as a movement against Liberals. The same considerations, they say, which led to the return of a strong Progressive Conservative government in Ontario, will lead to the return of a strong Liberal government in Ottawa. Progressive Conservatives jeer at this interpretation. **FINANCE** readers will be able to see in their newspapers of June 12 returns on Dominion

elections which will show who is right.

Those Dominion returns may prove somewhat puzzling even in Canada because they will include 65 Quebec seats, and in that province the French Canadians have split into almost as many parties as have the French in France. Because the general demand in English-speaking Canada has been for a manpower policy that includes conscription for the armed forces, nearly all of these parties are against conscription, and it is therefore uncertain what their future affiliations will be in case the Progressive Conservatives return to Ottawa with a very large increase in support. There

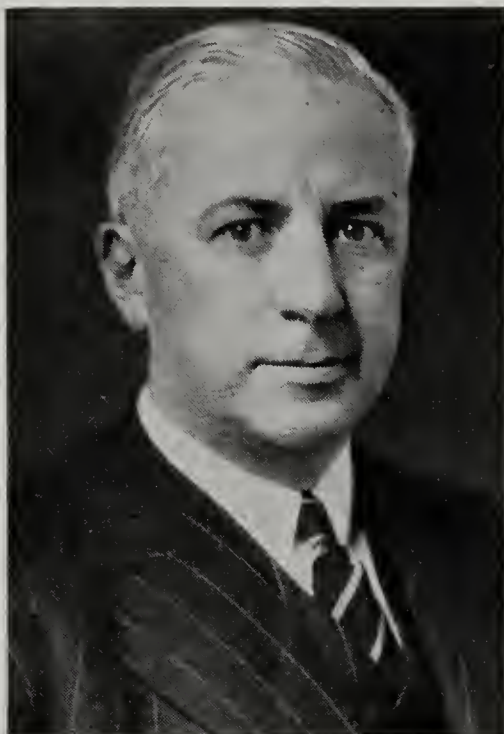
are, in Quebec, 294 candidates for 65 seats: 58 Liberals, 29 Progressive Conservatives, 28 C.C.F., 42 Social Credit, 7 Labour Progressives (Communist) and 130 others, including 72 straight Independents and 35 Bloc Populaire. These 130 will bear watching.

The Premier of Quebec, Maurice Duplessis, leads L'Union Nationale, but that is a child of the Conservative party. That shows that it is still possible after June 11 to have a confused political situation in Ottawa, but the Ontario election will exert a powerful effect on the Dominion result. If the recent settlement of the financial affairs of Alberta, and the declaration of Ontario for a government which will promote private enterprise, are followed by a government at Ottawa with a real mandate, the stage should be set for real expansion and prosperity in Canada. That is the view of most financial and business leaders in Canada.

Organizing for Peace

On June 5, 6, and 7, the largest and strongest association of industrialists in the British Empire, the Canadian Manufacturers Association, had its annual convention in Toronto with 2,200 members attending. Members of this association contributed in great part the executive experience and technical skill and knowledge which permitted Canada to put its peaceful plants and industries on a war basis from 1939 on. In this latest convention they concentrated on Stage two of the World War, the war against Japan, and on the postwar problems of reconversion and of participation both in world rehabilitation programs and in international plans for an increased world trade.

J. C. Macfarlane, President, declared at the outset that Canada has to carry out domestic policies which will be in accord with plans for world



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Aldrich's statement that "rebuilding of world trade requires that trade barriers be reduced, that cartels and commodity agreements be opposed, that constructive foreign lending policies be developed on the part of creditor nations and that the foreign exchange values of the principal currencies of the world be stabilized." They applauded his statement that "foreign loans represent deferred imports, and that creditor nations must reduce trade barriers if foreign loans are to be repaid."

The Canadian manufacturers were very much interested in what Mr. Aldrich had to say about the Reciprocal Trade Agreements Act, and the trade agreements negotiated under it with twenty-eight countries. As that act expires on June 12, they are watching the bill now pending in the U. S. Senate to extend the act for an additional three-year period and to permit the President to reduce or increase tariff rates by as much as 50% of those prevailing June 1, 1945.

Mr. Aldrich declared that no time should be lost in calling a world trade conference for an immediate frontal and all-inclusive attack on such problems as import and export duties, unfair methods of competition, export subsidies, customs formalities, cartelization, foreign exchange controls and

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peace as decided by the United Nations Conference at San Francisco. The manufacturers pledged themselves to do their best to employ the men and women in the armed forces when the war is over. The conference split into various panels dealing respectively with such subjects as Employer-Employee Relations, Reconversion and Reconstruction, Industrial and Scientific Research, Transportation, Termination of War Contracts, Fire Prevention, Rehabilitation of Ex-Service Men, Taxation, Wartime Controls and Trade, and International Trade.

Aldrich to Manufacturers

The importance of international trade in the thinking and plans of members of the association may be judged by the fact that the key speaker for the annual dinner on June 6 was Winthrop W. Aldrich, Chairman of Board, the Chase National Bank, New York, and President of the International Chamber of Commerce. On most subjects, manufacturers are following parallel lines in their thinking and policies to those of their brothers in the United States, but on the question of international trade, all of them, who are not concerned entirely with the domestic market, agreed with Mr.

restrictions, and the types of trade preferences and discriminations.

Anti-Socialistic Straws

Stock markets in Montreal and Toronto continue strong. Investors evidently fear no Socialistic upheaval. Even stocks like Aluminum, Ltd., and those of the chartered banks, which have been targets for socialistic allegations, have remained strong.

Other anti-socialistic indications are these: first, large numbers of servicemen have indicated their desire to enter into business life after the war with the help of accumulated savings and gratuities; second, 2,500,000 individual Canadians have acquired \$5½ billions in Victory bonds since 1939; third, rapid lessening of war controls since Germany surrendered has been welcomed by a public weary of restrictions and not desiring a planned economy where regulations would increase.

Canada Extending Credits

Graham Towers, Governor of the Bank of Canada, Hector McKinnon, chairman of the Tariff Board, and Dr. W. A. MacIntosh, economist adviser to the Finance Minister, have gone to England to discuss with British Treasury officials a proposal that

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The remarkable increase in manufacturing in the Dominion between two wars is shown by the Bank estimate that manufacturing output in 1919 was 33% of the total and in 1939 was 47%. Mining in that 20 year period trebled its proportion from 4 to 12%, and agriculture dropped from 44 to 26%. So economic Canada is now 75% non-agricultural!

Information furnished by 800 financial institutions in Canada with staffs averaging 65,329 per month in 1944 shows weekly payrolls at \$2.1 millions or \$32.35 per employee. This compares with \$31.19 in 1943 and \$30.20 in 1942. This compares with \$31.84 in the eight leading industries of Canada.

Corporation bond issues in the last fortnight include:

Burns & Co. refunding issue of \$4 millions first mortgage bonds, divided into \$900,000 of 2¾% serial bonds to mature \$150,000 annually May 1, 1946, to May 1, 1951 inclusive, and \$3.1 millions of 4% sinking fund bonds to mature May 1, 1963, all payable in Canada and interest payable May 1 and Nov. 1. Registerable in Montreal, Toronto and Edmonton.

Dominion Malting Co. \$850,000 first mortgage serial bonds maturing \$42,000 annually from 1946 to 1965,

Canada extend credits to Britain. Canada now supplies Britain under Mutual Aid. Back in 1938 invisible items supplied the difference between exports of \$339.7 millions to Britain and imports of \$119 millions. Imports and credits must balance the gap after the war. In April alone exports to the British Empire were \$157.3 millions and the postwar gap, it is plain, will have to be very much larger than that of 1938.

Canada has agreed to provide Holland with a credit of \$25 millions to purchase Canadian supplies during 1945 and 1946. Other credits to cover purchases in the next 5 years will follow. They will be repaid over that span of years at 2¼ per cent.

75% Non-Agricultural

The average net annual value of Canadian production in pre-war years was \$2.8 billions and in war years \$5.7 billions. The Canadian Bank of Commerce estimates that in both periods agriculture's proportion was 24.9% and 25.9% respectively and the proportion of manufacturing was 39.4% pre-war and 46.6% in the war. Of farm output 25% was for war use, forestry's 70%, mining 80% and manufacturing 60%.

June 10, 1945



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interest 3½% on first 10 maturities and 3¾% on the next ten.

Burns & Co. bonds were offered at 100 and accrued interest and Dominion Malting also at par. The latter company offered these bonds and 2,000 shares of 5% cumulative preferred stock of \$100 par value through Gairdner & Co. The Burns & Co. issue was offered by a Dominion-wide syndicate headed by Dominion Securities Corp.

New General Motors Head

William A. Wecker, vice-president and general manager of General Motors Co. of Canada since 1942, has just been appointed President and general manager. R. S. McLaughlin, former president, becomes chairman of the Board. The latter is the oldest Canadian in the business of making motor cars. His father started the McLaughlin Carriage Co. in 1867, R. S. entered the firm as craftsman and designer in 1887, became president of McLaughlin Motor Car Co. in 1907 and General Motors of Canada, which succeeded it, in 1918, having successfully negotiated all stages from the horse and buggy age to the present.

Garland Will Be Head Of Investment Bankers

Partner of Old Baltimore Firm Is Nominated to Succeed J. C. Folger

THE next president of the Investment Bankers Association of America will be Charles S. Garland, of Baltimore, partner of one of the nation's oldest investment firms, Alex. Brown & Sons Company.

In everything that he does, he plays like a champion—to win. The same qualities that enabled him to become an international tennis star have enabled him to rise to the top of the investment banking business and it may be freely predicted that his leadership will enhance the standing and prestige of investment banking. "Chuck" Garland has a way of "adding a plus" to whatever he undertakes.

Still, Garland is one of the "strictly in the groove" type. He has a direct, orderly way of solving any problem. Gifted with a remarkably retentive memory, he has a forthright method of procedure that he uses in everything he does.

HE HAS shown unusual qualities of leadership since school days. At Yale, where he was a better than average student, he concentrated in sport on tennis and was ultimately elected captain of the team. Tennis is not a major sport like football and baseball but it takes a big leaguer to move up to the top of the old Eli tennis courts.

Born in Edgewood, Pa., Oct. 29, 1898, Charles Stedman Garland entered Yale in the fall of 1916 after a normal, healthy high school round of football, baseball, basketball—and tennis which he began playing at 10 under his father's instructions.

His tennis and studies were interrupted when at 19 he was commissioned a second lieutenant of field artillery shortly before the end of World War I. He returned to Yale to captain the net team, win the national intercollegiate singles title and also be a member of the champion doubles team. After graduating in 1920, he was chosen a member of the Davis Cup team with Big Bill Tilden, Little Bill Johnston, and R. Norris Williams. Teaming with Williams, Garland reached the heights of tennis as they whipped Tilden and Johnston for world's doubles crown at Wimbledon, England.



Charles Garland

... the new standard bearer.

He did not go straight into banking from Yale. His first position was with a steel broker. However, it will be recalled that the wave of Coolidge prosperity swept the United States during the early twenties and the security markets boomed—so "Chuck" Garland responded to the siren call of Brown Brothers in 1928. Then there was a merger with Harriman & Company. He was selected by Brown Brothers, Harriman in 1929 to open and manage its Chicago office. In 1932, he was elected a partner in the firm. In Chicago, he had more than 9 happy and successful years. That he made friends readily may be attested by the fact that he was elected president of the Bond Club. Living in Lake Forest on the North Shore, he continued his interest in tennis and other sports. He served one term as president of the Onwentsia Country Club, one of Chicago's leading clubs.

Inasmuch as he had established himself so well in the business and financial life of Chicago, his decision to move to Baltimore in January of 1939 to become one of the partners in the firm of Alex. Brown & Sons caused a great deal of comment. The inside story of his moving seems to be that the old Baltimore investment

house made him such an attractive offer that he couldn't afford not to take it.

In Baltimore, he has taken such an active part in civic movements and has been so prominently identified in the business and financial life of the community that he is accepted as a lifelong Marylander. He accepted chairmanship of the Baltimore War and Community Fund campaign last fall because "we all must shoulder civic responsibilities—a belief he consistently has put in practice. As Maryland War Finance Committee chairman, he now is helping put the 7th War Loan over the top there.

HE HAS long been active in the Investment Bankers Association and was one of the five vice presidents at the time the nominating committee presented his name to succeed J. Clifford Folger, two-term president of the IBA, in this position. He has been one of the leaders in the movement to revitalize the Investment Bankers Association and has been listed as a progressive. He is strongly in favor of having adequate representation in Washington, but is understood to be open minded as to moving the headquarters of the IBA from Chicago to Washington. He believes in the program that the IBA has adopted to attract and train thousands of able young men for the investment banking business and sees eye to eye with John F. Fennelley on the IBA's plan for providing equity capital for small business.

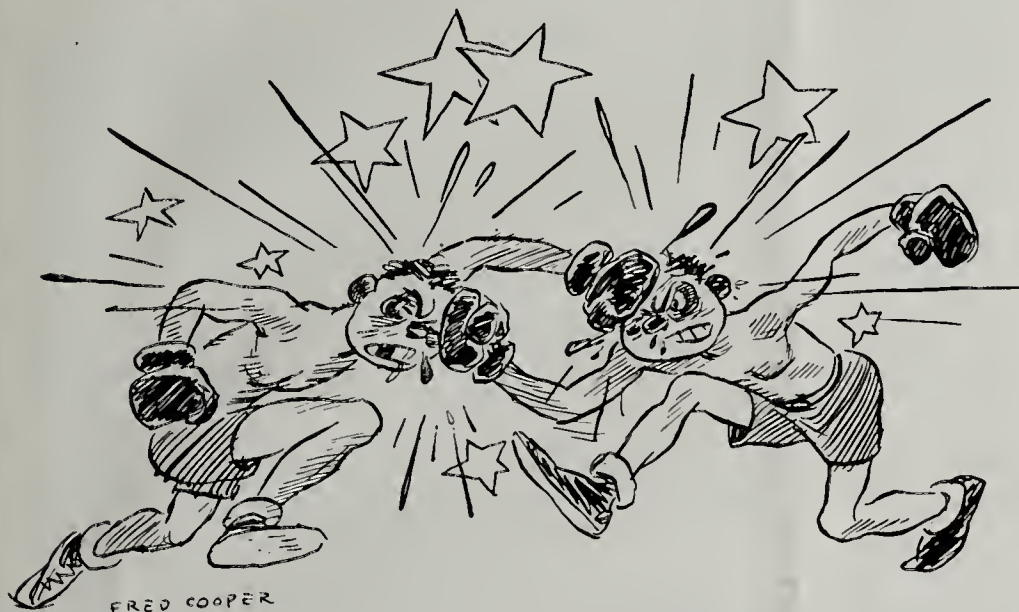
"Chuck" Garland is a quiet-spoken individual, who rarely raises his voice. He is conservative in his choice of clothes. One of his intimate friends scared him badly after his nomination by threatening to celebrate the happy event by presenting him with one of the loud cravats fashioned by Charvet or Sulka. He speaks with confidence, makes a point easily. His quiet sense of humor gives him an added punch.

His sound judgment on financial matters has led to his election as a member of the board of a number of corporations. He is director and a member of the Executive Committee of the Empire Trust Company of New York City, Sharp & Dohme, Inc., of Philadelphia, and the Baltimore Association of Commerce. He is a director of the Canton Company of Baltimore and the American Investment Company of Illinois.

Living in suburban Guilford, the Garlands have three children — Charles, Jr., nearly 18; Courtney, 15, and Aurelia, 10. "Chuck" still likes tennis, and a mystery novel or biography are favorite relaxations.

Transamerica Appeals the Peoples Bank Case

Giannini Continues Fight to Keep Federal Reserve from Curbing Him



ANOTHER round in the famous Battle of the Demurrers—as the case of the *Peoples Bank of Lakewood Village* against the Federal Reserve Bank of San Francisco has been termed—has opened.

Continuing their fight to keep the Board of Governors of the Federal Reserve System from singling out the Transamerica Corporation and preventing its further expansion through the acquisition of bank stock, the Giannini interests have entered an appeal in the United States Circuit Court of Appeals against portions of the order entered in the Federal Court in Northern California last November.

A battery of three sets of lawyers, one of whom is a member of the firm of the late Wendell Willkie, has just filed a brief on behalf of the Giannini interests in which it declared that the conditions laid down by the Federal Reserve Bank of San Francisco upon which the little state-chartered California bank gained membership in the Federal Reserve system were “unreasonably, arbitrary, capricious and discriminatory.”

Background of Fight

It is no state secret that the Comptroller of the Currency in Washington decided that, as a matter of public policy, it would be unwise to permit the Bank of America, N. T. & S. A.—as the official name of the great branch banking system is known—to expand further. Applications for addi-

tional branches have been turned down by Comptroller Preston Delano. It is understood that an application for a branch at Lakewood Village had been made and rejected, before this test case later developed.

The supervisory authorities thought that the Giannini interests might seek to accomplish this same purpose through indirection and took measures to block it. When the Peoples Bank applied for membership in the Federal Reserve system, the Federal Reserve Bank of San Francisco laid down its much-mooted *Condition No. 4*: That if, without the prior written consent of the Federal Reserve Board, Transamerica, the Bank of America or any subsidiary should acquire, directly or indirectly through the purchase of stock, or through the mechanism of the extension of loans for the purpose of acquiring stock, in the Peoples Bank, it, upon the direction of the Federal Reserve Board, would agree to withdraw from membership.

It is to be observed that nothing was said about the soundness of the bank or the competency of the management. However, the board of directors of the Peoples Bank agreed to comply with the condition.

Later, 34 shares of the bank stock were acquired by the Bank of America and, subsequently, without the assistance or prior knowledge of the Peoples Bank, Transamerica Corporation became the owner of 500 shares out of the 5,000 outstanding. In April of 1944—although the Federal Re-

serve had taken no steps to enforce the condition—Transamerica notified the Federal Reserve Board of the acquisition of this stock and maintained that it had no right to have laid down such a condition and asked the court to restrain the Federal Reserve Bank of San Francisco from cancelling the shares of the San Francisco Federal Reserve Bank stock owned by the Peoples Bank or terminating its membership in the Federal Reserve system.

This action set off the legal battle which has been going on ever since.

The Federal Reserve system avoided a trial of the case on its merits and resorted to demurrers, claim of lack of jurisdiction and various other forms of legal shadow boxing to get away from having the court pass upon its right to lay down such a condition of membership in the Federal Reserve system.

The Peoples Bank brought suit against the Federal Reserve Bank of San Francisco, the Board of Governors of the Federal Reserve system and Henry F. Grady, Federal Reserve Agent. The motion of the Reserve Bank for a summary judgment was denied and the motion of the Peoples Bank for a summary judgment was dismissed.

Only Question Appealed

The only question that was carried up to the Circuit Court of Appeals was whether the complaint was properly dismissed as to the Federal Reserve Bank of San Francisco and the Federal Reserve Agent. The Giannini interests maintained that the claim of the Board of Governors and the Federal Reserve Bank of the right to deprive the Peoples Bank of its Federal Reserve Bank stock through an enforcement of the condition was an adverse claim within the purview of the law of California. It maintained that the existence of this adverse claim—dangling over the bank like the sword of Damocles—could be ascertained by the Federal Court and that a declaratory judgment should be given in favor of the Peoples Bank.

In the conclusion of the brief, the counsel for the Bank of America said: “It is incredible that the people of the United States, who are still the source of all authority, or their Congress, have or ever had any intention of vesting any Federal Agency with the power to single out and name a person or corporation as unfit or disqualified to be associated with others in a given lawful human activity, except as a punishment after trial and conviction of some offense known to the law.”

In the brief, it was pointed out that the Peoples Bank, in applying for membership, had been "found to be fully qualified from every standpoint." Maintaining that this condition was "a clear case of unauthorized and arbitrary special regulation" and "a species of petty tyranny," the Giannini counsel said: "It is plainly an attempt to do by indirection and trick, that which the Board admittedly could not do directly; to wit, limit the acquisition by Transamerica of bank stock."

Right to Sell Stock

"There are approximately 2750 state banks that are members of the Federal Reserve System," the brief declared. "Our assertion in the District Court that no other state bank has been subjected to any condition faintly resembling condition No. 4 was not challenged. *The plaintiff bank has been singled out as the only bank that may lose its membership in the Federal Reserve System and its status as an insured bank, because one of*

its stockholders, over whom it has no control, may sell a share of its stock to a particular holding company. The shares could, with propriety, have been sold to a felon or a professional gambler but not, it seems, to a regulated holding company.

"It is obvious that, in condition No. 4, we do not have to do with any attempted regulation of a small bank in Lakewood Village, designed to insure that the bank shall be a sound bank, and shall conduct its business according to sound practices. Condition No. 4 is designed solely to prohibit any extension of the banking interests of Transamerica Corporation. This is a matter as to which the plaintiff bank, as a bank and as a member of the Federal Reserve System, has no control and no self-interest and the defendants no power. Though absurd and futile on its face, because the Board cannot prevent such acquisition even in a single bank, the validity of the condition must, nevertheless, be examined in the light of this manifest objective and the utter

lack of legislative authority to achieve it.

"An outrageous feature of condition No. 4 is that the plaintiff bank has no control whatsoever over the fulfillment thereof. The stockholders of the plaintiff bank have an absolute right to sell their stock to whomsoever they please, including Transamerica, and to do so without the knowledge or consent of the plaintiff, and without obtaining the permission of any public agency. That is what has happened in this case and yet under this condition all of the other stockholders and the depositors of the bank are put in jeopardy of the bank's losing its position as a member of the Federal Reserve System and its status as an insured bank, although the bank may continue to be one of the safest and soundest banks in the country. Meanwhile, Transamerica may have purchased a million shares in other banks without jeopardizing the membership or insurance of any of them.

"Under the decision of the District Court, the plaintiff, at the present time, is remediless. It must remain for months or for years under the cloud of this condition No. 4 without knowing whether the present Board or any successor Board is going to seek to enforce it, and yet without means to determine what its rights are until confronted with an actual attempt at enforcement. Even then, according to the District Court, it cannot have its rights with respect to its stock in the defendant bank in its home jurisdiction of California, but must be put to the trouble and expense of suing the Board of Governors in the District of Columbia. This, we submit, is not the law, and constitutes a travesty on justice."

Asks for Reversal

Asking for a reversal of the order of the District Court in dismissing the complaint, bank's counsel said that a present determination of the validity or invalidity of condition No. 4 is of the utmost importance to the complainant bank. "The defendants," it is asserted, "refused to deal with the merits of the case. They refused to discuss the validity of the condition. The tyranny involved in the imposition of this condition is matched by the conduct of the defendants in seeking to avoid a determination on the merits."

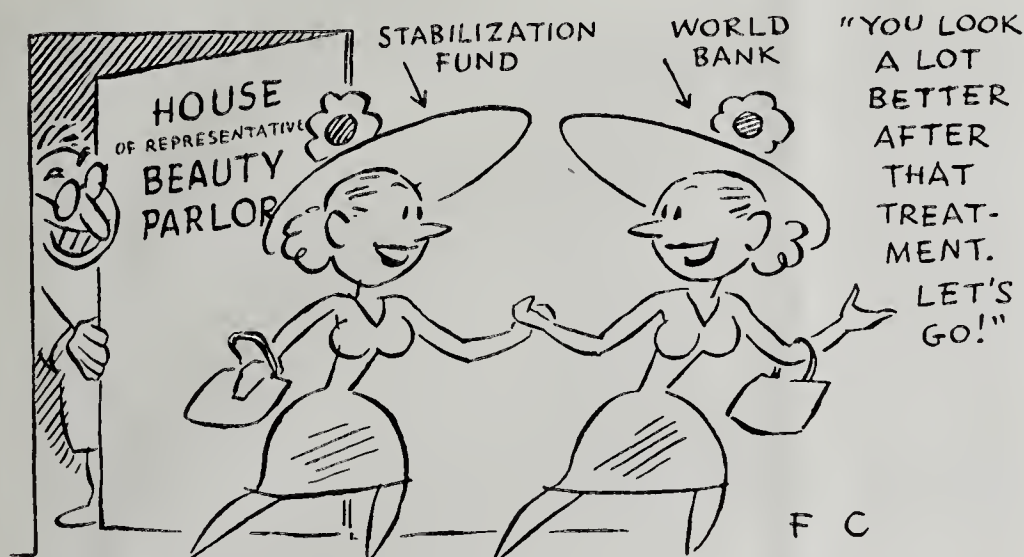
Thus, another round of the legal battle goes on. The Circuit Court of Appeals has not yet handed down its opinion. FINANCE understands that if the case goes against the Giannini interests, a further appeal will be taken to the Supreme Court of the United States.

THE CONTINENTAL BANK & TRUST COMPANY OF NEW YORK

MEMBER OF THE FEDERAL DEPOSIT INSURANCE CORPORATION

Five Amendments Made To Bretton Woods Plan

By Senate After Approval by the House
Overwhelming Passage Is Indicated



THE Bretton Woods proposals have gone a long way down the road toward ultimate approval by the United States.

Following a 23 to 3 favorable report by the House Banking and Currency Committee, after two months of hearings, the bill, designed to authorize participation of this country in the World Bank of Reconstruction and International Monetary Fund to promote world-wide stabilization of currencies, was passed by an overwhelming vote by the House of Representatives. The strong bi-partisan support which the measure commanded when it was recommended for passage to the lower chamber of Congress and the publicly announced backing of President Truman, are believed to foreshadow final Senate enactment.

As reported, the Bretton Woods plan was accompanied by five amendments. However, none of these was regarded as changing the proposals to such an extent that another international conference would have to be held before it might be submitted to the various legislative bodies of other nations of the world for approval.

The Five Amendments

The 5 amendments to the Bill, which authorized membership by the United States in the World Bank and the International Monetary Fund as drawn up by the 44 nation conference at Bretton Woods, were interpretative rather than major changes in the international proposals.

The Committee raised no objection to the United States subscribing approximately one-third of the \$9 billion 100 million for the Bank and \$8 billion 800 million for the Fund.

There were 5 amendments in all. Representative Paul Brown (Democrat, Georgia), the ranking member of the majority party, sponsored the so-called CED proposal. This cleared up the authority of the World Bank to make long term stabilization loans. The Committee on Economic Development, the national organization of business men, sponsored this amendment, maintaining that loans made by the International Monetary Fund should be confined to those designed to correct temporary fluctuations of world currencies rather than loans to foreign countries for reconstruction purposes under the guise of currency stabilization loans. The Committee approved this 24 to 2.

The creation of the five member Advisory Council to coordinate the foreign lending program of the United States, as that program is handled by the Fund, the Bank and the Export-Import Bank, was sponsored by Representative Wright Patman (Democrat, Texas). The vote was 22 to 4.

Unanimous approval was given to the amendment offered by William B. Barry (Democrat, New York), which provided that one person should represent the United States as governor, both on the Fund and on the Bank. It further declared that an executive director for this country should sit on the Fund and another

such official on the Bank, while each director should have an alternate.

The one individual, who is to serve as governor of both the Fund and the Bank, will have a 5 year term of office. The executive director for the Fund and the Executive Director for the Bank are to be appointed for only 2 years. The President may appoint an alternate governor of the Fund who shall also serve as alternate for the Bank with the advice and consent of the Senate.

Representative Ralph Gamble (Republican, New York) gained unanimous approval for his amendment, which modified the power of the government to requisition information from business men for the use of the Fund. Mr. Gamble wanted to make sure that no information would be furnished to the Fund in such detail that the affairs of any person were disclosed. Moreover, it was provided that it would be unlawful for any officer or employee of the government or for any advisor or consultant to the government to disclose, otherwise than in the course of official duty, any information obtained under this statute or to use any such information for his own personal benefit.

The Wolcott Amendment

Perhaps the most important amendment was offered by Representative Jesse Wolcott of Michigan, the ranking Republican leader on the Committee. This amendment provided that steps should be taken by the United States representatives on the Fund to clarify its powers to make loans other than those purely to stabilize currency. The Wolcott amendment dealing with stabilization operations by the fund reads as follows: (a) "The governor and executive director of the Fund appointed by the United States are hereby directed to obtain promptly an official interpretation by the Fund as to: (I) whether its authority to use its resources extends beyond current monetary stabilization operations to afford temporary assistance to members in connection with seasonal, cyclical, and emergency fluctuations in the balance of payments of any member for current transactions and, (II) whether it has authority to use its resources to provide facilities for relief or reconstruction or to meet a large or sustained outflow of capital on the part of any member.

(b) "If the interpretation by the Fund answers in the affirmative of the questions stated in subsection (a), the governor of the Fund representing the United States is hereby directed to propose promptly and support an amendment to the Articles of

Agreement for the purpose of expressly negating such interpretation. The President is hereby authorized and directed to accept an amendment to that effect on behalf of the United States."

As to the power of the Bank to make guaranteed stabilization loans, "the governor and executive director of the Bank appointed by the United States are hereby directed to obtain promptly an official interpretation by the Bank as to its authority to make or guarantee loans for programs of economic reconstruction and the reconstruction of monetary systems, including long-term stabilization loans."

The United States desires to explicitly empower the bank, after a consultation with the Fund, to make or guarantee such loans.

The National Advisory Council on International Monetary and Financial Problems, which was looked upon with favor by the Federal Reserve Board, would consist of the Secretary of the Treasury as Chairman, the Secretary of State, the Secretary of Commerce, the Chairman of the Board of Governors of the Federal Reserve System and the Chairman of the Board of Trustees of the Export-Import Bank of Washington. The Council would recommend to the President general policy directives for the guidance of the representatives of the United States and would advise and consult with the President and the representatives on the Fund and the Bank "on major problems arising in the administration of the Fund and the Bank." So that the policies of the Export-Import Bank would not be working at cross purposes with the policies and operations of the Fund and the Bank, there would be a coordination of all American activities so far as practicable.

There is one interesting provision in the Council proposals. Congress specifically states that "no governor, executive director, or alternate representing the United States shall vote in favor of any waiver of condition under Article V, Sec. 4 or in favor of any declaration of the United States dollar as a scarce currency under Article VII, Sec. 3 of the Articles of Agreement of the Fund without prior approval of the Council." This means that the United States would always retain a veto power over any move to drive the dollar out of the foreign exchange market. While highly technical, this means that the representatives of the United States would be charged with preventing the rationing of the dollar among the various nations of the world or enabling other nations to gang up against our unit of currency

to the disadvantage of American foreign trade.

The Advisory Council would be required to transmit a report to the President and the Congress not less frequently than every 6 months and, of course, it would be empowered to transmit special reports on the operations and policies of the Fund and the Bank at all times.

The 2 Year Review

Perhaps the most talked of provision in the amendment to Section 4 was the so-called "two year review report."

This stipulates: "The first report shall be made not later than 2 years after the date of the establishment of the Fund and the Bank, and a report shall be made every 2 years after the making of the first report. Each such report shall cover and include: the extent to which the Fund and the Bank have achieved the purposes for which they were established; the extent to which the operations and policies of the Fund and the Bank have adhered to, or departed from, the general policy directives formulated by the Council, and the Council's recommendations in connection therewith; the extent to which the operations and policies of the Fund and the Bank have been coordinated, and the Council's recommendations in connection therewith; recommendations on whether the resources of the Fund and Bank should be increased or decreased; recommendations as to how the Fund and Bank may be made more effective; recommendations on any other necessary or desirable changes in the Articles of Agreement for the Fund and the Bank or in this Act; and, an over-all appraisal of the extent to which the operations and policies of the Fund and Bank have served, and in the future may be expected to serve, the interests of the United States and the world in promoting sound international economic cooperation and furthering world security."

How ABA Regards Bill

Shortly after the Bill was favorably reported, W. Randolph Burgess, as president of the American Bankers Association, issued a statement in which he said that the amendments adopted "constitute a substantial improvement over the provisions of the original bill."

Amendments recommended by the ABA include the setting up of the Council and the provision that "the lending powers of the Bank should be definitely recognized as including the power to make stabilization loans."

Dr. Burgess hailed the provision for a thoroughgoing review by the Council to the President and Congress every 2 years and made the further observation that the proposals "go some distance in safeguarding the Fund against possible abuse, though not as far as the proposals originally made by the American Bankers Association."

"The proposal made by the Association for the merger of the two institutions to assure coordination in policy," he added, "is met by the new legislation only to the extent that it provides that as far as the United States is concerned a single person will represent us as governor of both the Bank and the Fund, and the general coordination through the Council."

Concluding, he stated: "It may well be emphasized again that the American Bankers Association from the beginning has approved the Bretton Woods plan in principle, and its whole interest in the matter has been to aid the committee and the Congress in making the legislation as practical and effective as possible both in safeguarding the interests of the American people and in promoting international financial collaboration."

As FINANCE goes to press, the bill had been brought up on the floor of the House and there was every indication that the Bretton Woods plans would be approved and passed on to the Senate. Senator Robert Wagner, of New York, the Chairman of the Senate Banking and Currency Committee, is reported to be loath to take charge of the legislation, as he has not made a very intensive study of the technical and highly complicated monetary proposals. The health of the New York Senator is not overly robust and it is understood that he will seek to have some other Democratic Senator carry the banner for Bretton Woods. Senator Robert Taft, of Ohio, is reported as being critical of many provisions of the plan. He is one of the strongest members of the Committee and has a good understanding of how the World Bank and the International Monetary Fund work. Senator Tobey, the windy, spread-eagle oratorically inclined Republican Senator from New Hampshire, is all out for the Bretton Woods proposals. He has a reputation in the Senate for his Mother Hubbard arguments—the kind that cover the subject but touch nothing—in favor of the measure.

Ultimate passage of the Bretton Woods plan by later summer or early fall is expected. This depends upon the amount of pressure that President Truman applies to bring about action.

Rep. Lea Would Lift Handicaps on Issues

Congressional Leader Addresses Investment Bankers at New York

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THE investment bankers are going ahead step by step in their program to revitalize the Investment Bankers Association of America.

The sharp differences that developed within the IBA over the proposal to move the headquarters from Chicago to Washington, the selection of a high-powered full time executive to direct the activities of the association, the appointment of a man to provide adequate Washington representation and the adoption of a program calling for a sharp increase in expenditures have been composed. The recent meeting of the Board of Governors at New York, presided over by President J. Clifford Folger of Washington, was marked by harmony.

Nominated to be the next president of the IBA was Charles S. Garland, of Baltimore, a partner in the firm of Alex. Brown & Sons. Two new vice presidents: Lee M. Limbert, vice president of Blyth & Company of New York and Hazen S. Arnold, Executive vice president of Braun, Bosworth & Company of Toledo, were placed in nomination while three vice presidents were nominated for a further term: Julien H. Collins, of Julien Collins & Company of Chicago; Hal H. Dewar, of Dewar, Robertson and Pancoast of San Antonio, and Edward Hopkinson, Jr., of Drexel & Company of Philadelphia.

Representative Lea Talks

The meeting of the board of governors was more or less of a routine session but it was marked by two outstanding addresses. W. Randolph Burgess, president of the American Bankers Association, and vice chairman of the National City Bank of New York, discussed the Bretton Woods proposals and predicted that the measure, with the amendments added by the House of Representatives, would be enacted by Congress.

He stated that the House had not gone all the way that the bankers desired in the matter of amending the plan but had met the objections raised to some features of the plan. By making it clear that the United States would be opposed to the International Monetary Fund making long term loans for the purpose of stabilizing



W. Randolph Burgess

... discusses Bretton Woods.

currencies, Mr. Burgess pointed out that one of the principal objections of the ABA had been recognized. The New York banker gave a clear and illuminating explanation of how the Bretton Woods plans would work and scored the point that, from the outset, the bankers had been in favor of the World Bank for Development and Reconstruction.

From the standpoint of public policy, a cheering note was sounded by Representative Clarence Lea, of California, the veteran Chairman of the Committee on Foreign and Interstate Commerce.

Mr. Lea said that he thought "the punitive period" for investment banking should be over and expressed himself as being in favor of the lifting of all handicaps, which will interfere with the free flow of capital. Inasmuch as Mr. Lea is chairman of the committee, which has jurisdiction over legislation amending the various Securities & Exchange Commission Acts, his remarks were regarded as having especial significance.

FINANCE has learned from Chairman Lea that he sees slight prospect of Congress acting soon on the proposed legislation to amend the SEC Acts, which was the subject of extended hearings, but he thinks a great deal can be accomplished by helpful and sympathetic administration of the present laws. If the handicaps, which now make financing through investment banking costly and difficult, are

removed, Mr. Lea believes this will improve postwar employment for labor as well as for capital.

President Folger maintains that Congress must help the investment bankers to improve their merchandising technique, by modifying the requirement which makes it necessary for an investment banker to place an inch-thick prospectus in the hands of the potential customer before he can seek to make a sale.

The IBA president believes that Congress should pass a bill specifically empowering underwriting syndicates to maintain prices of securities during the period of distribution. In view of the difference in time in various parts of the country—New York being 3 hours ahead of San Francisco—he pointed out that it would be exceedingly difficult for underwriting syndicates to distribute securities, especially stock, without being able to bind all participants to maintain prices. (There have been reports that the Department of Justice at one time seriously proposed to enter suit against the various underwriting houses on the ground that the maintenance of prices, as provided in underwriting agreements, is a violation of the Anti-Trust Act.)

Fennelly and Collins Report

Substantial progress is being made by two relatively new activities of the IBA. Julien H. Collins, who is heading the educational program, informed the governors that New York University had agreed to put on a course of training for security salesmen next fall. The Wharton School of the University of Pennsylvania will offer a similar course at Philadelphia, while Northwestern University is to conduct a training course at Chicago. Negotiations are now under way with universities in Cleveland, Pittsburgh, Los Angeles and other centers to offer a course in training and education for young men and women, who desire to become salesmen of securities.

John F. Fennelly, Chicago partner of Glore, Forgan & Company, reported on the plan of the IBA to provide equity capital for small business through the organization of a national network of local investment companies. He first revealed this plan before a Congressional Committee. Mr. Fennelly stated that the proposal had met with a most favorable reception and that it had been pronounced to be soundly conceived. Before it can be put into effect, federal legislation must be drawn and passed by Congress.

The next annual meeting of the Investment Bankers Association will be held in Chicago next fall, if the ban on conventions is lifted by the ODT.

Federal Reserve

(Continued from page 19)

which they were directors, were violating the law. The letters from Washington suggested that the members of the board should refer the matter to counsel for the bank and obtain an opinion from their legal advisor as to whether or not the law, prohibiting the acquiring or retention of bank balances through the indirect payment of interest, was being violated. The directors were asked to send a copy of the opinion given them by their own counsel to the Comptroller of the Currency or to the Federal Reserve Board.

Pussyfooting

Regulation Q has been "a hot potato" in Washington and the way in which both the Federal Reserve Board and the Comptroller's Office have handled the issue prior to the Memphis meeting led to widespread criticism of "pussyfooting." The general viewpoint of bankers was that all banks should be treated alike and that the supervisory authorities should not permit some banks to absorb exchange charges and require others to charge back against their customers all out-of-pocket exchange charges incurred in the collection of checks by banks, which do not remit at par.

No public statement has been made by Comptroller Preston Delano or by Chairman Eccles of the Federal Reserve Board as to what the gist of the legal opinions was. At Memphis, Governor McKee was questioned as to this but he ducked the query, stating that he was not a lawyer.

The absorption of exchange is a rebel-rousing issue, in that the members of Congress from Georgia, Alabama, Mississippi, South Carolina, Tennessee and Louisiana have been willing to fight at the drop of the hat over this question.

Passed By House

The House of Representatives passed a bill sponsored by Representative Brown, of Georgia, which declared that the absorption of exchange should not be considered as the payment of interest. The same measure was championed in the Senate by Senator Maybank of South Carolina but he could not persuade a sufficient number of Senators on the Banking and Currency Committee to report the measure favorably—so it died in committee at the last session of Congress. Some Southern members of Congress charged that the enforcement of Regulation Q was nothing more than a part of the movement to force all state banks into membership in the Federal Reserve system and thus bring about universal par clearance of checks. This, they asserted, would deprive small banks of revenue now gained through the charging of exchange on checks drawn on themselves and it was represented that, in many cases, this revenue represented the difference between a profit and a loss in the operation of small, country banks.

Personalities entered into the fight in Congress when Leo T. Crowley, Chairman of the Federal Deposit Insurance Corporation, registered his opposition to the enforcement of Regulation Q. He asserted that he was against legislation in the guise of regu-

lations, thus taking a crack at the Federal Reserve Board.

It might seem that finding a solution for such a simple matter as the absorption of exchange would be easy but there was an all-day confab at Memphis. There can be no doubt but that the nerves of the bankers have been badly frayed through bickering over the way the supervisory authorities have laid down the law. It is not a picayunish matter. When the banks in Memphis reached an agreement that they would discontinue the absorption of exchange, correspondent bank balances running into the millions shifted to Louisville and to other cities, where banks continued to absorb. When it became apparent to them that the Comptroller's Office was not going to carry through in all cities in its vigorous policy, the banks in Memphis resumed and regained these balances.

There are still rugged individuals in the banking business, and they have their own interpretations as to what "a trivial amount" is when it comes to absorbing exchange. Some banks have special deals with non-par banks, claiming that they save a lot of money on the collection of checks by a reciprocal arrangement. Many banks contend that charging back exchange against all accounts would entail greater clerical expense than the amount absorbed and that following such a practice would irritate many of their best customers, who have only an occasional non-par item. The arguments for the continuance of absorption of exchange are as varied as the personalities of the chief executives of the banks affected. However, it would appear that a final solution has now been reached unless it is upset by Congressional action. This is highly improbable now.

Correction by Legislation

The list of banks, which still make a charge for paying checks drawn on themselves, is dwindling. In Nebraska, the unicameral legislature passed a measure outlawing the charging of exchange. Similar action was threatened in Minnesota and Wisconsin. It is reported that credit men's associations in Texas and Tennessee contemplated moving along the same lines.

In view of the comfortable earnings that banks are reporting, those favoring the extension of the par-clearance of checks think the present is a propitious time to act. Iowa barred charges two years ago and the experience of small banks, which lost this revenue, has demonstrated that the income from this source is not vital and can be made up in other ways.



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INVESTORS SYNDICATE

Minneapolis, Minnesota

State Bankers Associations Elect New Set of Officers

NOTWITHSTANDING the fact that annual conventions have been called off, the state bankers associations are managing to function. New officers are being elected through mail ballots, by proxies and by various means.

James L. Stone, president of the First National Bank of Ripon, is the new president of the Wisconsin Bankers Association. A veteran of 45 years in banking, Mr. Stone was elevated to succeed Willard G. Aschenbrenner, vice president of the American Bank and Trust Company of Racine. Wesley S. Goode, Executive vice president of the Farmers & Merchants Bank of Menomonie Falls was elected vice president, while Henry P. Davis, cashier of the Bank of Elroy, was named Treasurer. George D. Prentice, vice president and cashier of the Marine National Exchange Bank of Milwaukee — a former past president — was elected for a 3 year term to the Executive Council of the American Bankers Association.

In Illinois, Floyd Condit, president of the First National Bank of Beardstown, carried over for a second term, while Barney J. Ghiglieri, cashier of the Citizens National Bank of Toluca, held over as vice president of the IBA. In recognition of the important part that consumer credit financing is destined to play in banking during the postwar period, the association decided to create a division to be devoted to this activity.

Ralph A. Gregory, president of the Third National Bank of Scranton, was advanced to the presidency of the Pennsylvania Bankers Association. Edmund P. Thomas, president of the First National Bank of Gettysburg, was named vice president, while Russell J. Hopkins, president of the Titusville Trust Co. was elected treasurer.

The executive council of the Georgia Bankers Association advanced Sherman Drawdy, first vice president and cashier of the Georgia Railroad Bank & Trust Co. of Augusta, to the presidency of the association. Retiring president, David J. Arnold, vice president of the Commercial Bank & Trust Co. of Griffin, was elected chairman of the executive council and given the power to act as vice president of the association in any emergency that may arise.

Leon R. Rightmire, vice president of the National Bank of Commerce

of Seattle and manager of the Yakima Branch, was elected president of the Washington Bankers Association, by mail ballot. George H. Greenwood, chairman of the board of the Pacific National Bank of Seattle, was named vice president, while Victor J. Bouillon, president of the Washington National Bank of Ellensburg, became treasurer.

The executive committee of the North Carolina Bankers Association elected Gordon C. Hunter, executive vice president of the Peoples Bank of Roxboro, president of the association. William H. Neal, vice president of the Wachovia Bank & Trust Co. of Winston-Salem, remains as vice president.

P. P. Thomas, president of the Commercial Bank, Spanish Fork, was made president of the Utah Bankers Association. Placed in line of succession was Ray P. Dyreng, cashier of the Manti City Bank, Manti, who was elected second vice president.

James P. Hickock, president of the Manufacturers Bank & Trust Company of St. Louis, was elevated to the presidency of the Missouri Bankers Association. Joseph C. Williams, vice president of the Commerce Trust Company of Kansas City, was named treasurer and moved into position.

George J. Hauenstein, vice president of the First National Bank of Hattiesburg, was elected president of the Mississippi Bankers Association. W. S. Johnson, vice president and chairman of the board of the First National Bank of McComb, was placed in line by election as treasurer.

A. L. Kendig, vice president of the State Bank of Wheatland, was named president of the Wyoming Bankers Association. Boyd Sims, Cashier of the Wyoming National Bank of Casper, was elected vice president.

In line for the presidency of the Alabama Bankers Association is J. Marbury Rainer, vice president of the Birmingham Trust & Savings Company of Birmingham. He was elected 2nd vice president by the executive council.

In North Dakota and Tennessee, the present officers carried over. A. C. Idsvoog, president of the Grafton National Bank, Grafton, remained as president of the North Dakota Bankers Association, while T. L. Cathey, president of the Peoples & Union Bank, Lewisburg, still heads the Tennessee Bankers Association.



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Setting a Trap

(Continued from page 18)

the power to make an inventory of the contents of safety deposit boxes, as it fears the people might think this an unwarranted invasion of their rights.

The Treasury may obtain the right to enter safety deposit boxes under certain conditions. It is the usual practice of banks to seal safety deposit boxes in case of the death of the box renter to make sure that the state is protected in the matter of inheritance taxes. Where the Treasury has reason to believe that stolen money is secreted in vaults, or where it believes individuals, professing their inability to pay past-due income taxes, have hidden funds, it can gain access to these strongholds by obtaining court orders.

What Will Be Effect

There is naturally a lot of speculation as to what the result of the Treasury order will be. Most bankers believe that big bills now hoarded or out of circulation will be frozen. While Secretary Morgenthau rightfully observed that no honest person need have fears over the investigation, the vast legion of individuals, who have tucked away bills for unforeseen emergencies, do not want to bring this fact to light, less they be misjudged.

Those who have used big bills to cloak their unsavory operations will certainly not unearth their caches of

currency, lest this act expose them to Treasury investigation and possible indictment.

Human psychology as to money matters is not always easy to predict. Few of the newspapers devoted more than a fifth or a sixth of a column of space to the news. Only a relatively few newspapers, even in the big cities, played-up the story on the front page. In their public relations, the banks are going to have to explain their reasons for making this detailed inquiry to thousands of depositors—and there are bound to be a lot of badly scared individuals, who will interpret the questioning to mean much more than it really does. Banks, which have a large percentage of foreign-born customers, will have to be especially careful.

For the first time, the currency exchanges received official recognition as a financial institution from the Treasury Department. Secretary Morgenthau had to explain to some of the Washington correspondents what a currency exchange was. He mentioned that these little institutions, whose chief activity is the cashing of checks for a small fee, flourish in and around Chicago. There are about 400 currency exchanges in the state of Illinois, where the state legislature two or three years ago enacted a law laying down minimum capital requirements and providing for their supervision. New York state enacted a law later bringing check-cashing institutions under the supervision of the State Banking Department.

The currency exchanges have to look to the banks for their supplies of currency. In Chicago, two or three of the outlying banks make a specialty of handling their accounts. There is a close relationship because the willingness of these banks to permit the currency exchanges to draw against checks in process of collection makes it possible for them to operate at a profit. Otherwise the amount of capital, which the currency exchanges would require to operate, would be prohibitive.

Singularly enough, some of the most profitable currency exchanges are located in buildings where there are banks. They keep open after banking hours. One of the principal reasons that currency exchanges have developed to a greater extent in Chicago than in other financial centers is that branch banking is prohibited in Illinois and there are not as many banking offices in proportion to the population as in New York, Detroit, Cleveland, Los Angeles, San Francisco and other big centers.

Not Many Unusual Transactions

At first blush, it might appear that this sweeping Treasury order would create a lot of work. However, there are not a great number of unusual currency transactions, which would not be regarded as "legitimate and customary." The banks will not be inclined to go behind the explanation given by the customer, who deposits or withdraws currency, because their's is not a snooping job. They naturally do not wish to be placed in the position of being mistrustful of those, whose patronage makes the successful operation of their business possible. However, unless banks have confidence in the honesty and the integrity of individuals, partnerships and corporations using their facilities, they would prefer not to have their accounts because of the risk of being "hooked" sooner or later by some shady deal.

A Clear-Cut Memorandum

It is usually customary in the larger banks for the comptroller or the officer, in charge of operations, to issue a memorandum for the information of all officers and key employees explaining just what a new order embraces and telling how all cases are to be handled.

Undoubtedly, there will be a tendency to clear everything through one officer, thoroughly acquainted with the bank's policy as to handling reports on unusual currency transactions.

Reliable

Society for Savings

in the City of Cleveland

FOUNDED 1849



Charles Buesching

(Continued from page 24)

successful in a business way, the city has gained a good citizen, who is a credit to the community" is the way that he describes his conception of the responsibility of the banker toward the public. "Moreover, a man, who operates a successful business, becomes a valuable customer of the bank and builds up the bank. With larger deposits, the bank is in a position to make more loans. To carry out his mission in our economic life, the banker must be willing to take even more than a moderate business risk to provide the credit that men with capacity to perform need."

Venturesome, Conservative

Charley Buesching is a curious mixture of the venturesome and the conservative. He believes that one should be guided by intrinsic—rather than market—values when it comes to securities and he has never been willing to sell Fort Wayne or the country "short."

It was a month after the stock market crash in 1929 that ground was broken for the Lincoln Towers, the tallest skyscraper in the whole state of Indiana which houses the bank. When the \$1,600,000 office building was opened in November of 1930, there was a lot of dolorous head-shaking on the part of many citizens of Fort Wayne who inveighed against such a heavy investment of the bank's capital in the city's most resplendent office building. (There was this sentimental touch about the handsome structure: The lowest of four bids for the construction of the building was submitted by the firm of Buesching, Hagerman & Company, so the contracting firm of which his father was the senior partner erected the Lincoln Towers.) Now written down to a value of \$700,000, the building provides a handsome return in the form of rentals upon the present investment.

The tendency to look to intrinsic values, rather than be guided by market values, later brought considerable profits to the bank from the bank's own investment portfolio. During the depths of the depression, when the securities of the nation's leading corporations were on the bargain counter, Charley Buesching concluded that if these were not good, nothing was—so he backed his judgment by making substantial investments in corporate securities. For instance, he picked up blocks of the Pennsylvania Railroad debentures as low as 48. These later were cashed in at the call price above par. At least a million dollars of the

capital, which the Lincoln National has today represents profits on securities that were bought when the investing public had seemingly lost faith even in the leading American enterprises.

No Freedom from Problems

It should not be assumed that the Lincoln National did not have its losses and escaped the trials and tribulations of other financial institutions. After all, a commercial bank is merely a cross-section of its own customers and if any considerable number of its customers meet with ill fate, the bank is bound to share in these losses.

In 1934, the Lincoln National bolstered its capital structure by selling \$700,000 in preferred stock to the Reconstruction Finance Corporation. However, in less than 24 months, it had retired all of the stock, being one of the first major banks in the country to take this step. In 1936—when non-dividend paying stock was hardly a sought after investment—the bank sold 15,000 shares of \$20 par value common stock at a 20% premium. When J. F. T. O'Connor, then Comptroller of the Currency, heard of this achievement, he personally congratulated the Fort Wayne banker upon having added \$360,000 to the capital structure of the bank through the sale of common stock.

If there is one point upon which Charles Buesching is an arch conservative, it is in the payment of dividends. He believes in a whopping big surplus—one large enough that a banker can make a sizable loan based upon "the capacity to perform" and charge it off completely if the bank examiners even raise their eyebrows to question its goodness. He is no exponent of riskless banking.

"One of the principal reasons that banks failed was because management had followed too liberal a dividend policy," he commented. "I think that any well managed bank should pursue the practice of plowing back into surplus substantially more than it pays out in dividends to stockholders. A surplus equal to capital is a worthy goal for any bank to strive for."

Need for Big Calibered Men

For more than 25 years, this Indiana banker has headed most of the money raising campaigns for Fort Wayne. Running true to form, he is now serving as Chairman of the War Finance Committee for the Northern part of Indiana and has participated in all of the War Loan drives. "No city can be bigger than the men who occupy the swivel chairs" has been a slogan that he has used on Fort Wayne's leaders. In making appeals for support of various community en-

terprises, he has urged the top industrialists to take a big-calibered viewpoint in contributing to the Y.M.C.A., the Chamber of Commerce and the Community Fund. It is rather significant that Fort Wayne has a handsome, debt free building, which cost more than \$250,000, to house its Chamber of Commerce. A group of the leading citizens banded together several years ago and underwrote the acquisition of a large acreage of land, suitable for huge industrial plants that offered free sites as an inducement to outside industries to locate in Fort Wayne. It brought huge payrolls to the city.

In no small measure responsible for several broad gauged programs, Mr. Buesching has spearheaded the money raising end of many civic movements. To others he has left the honor of serving as the president and the top man in public-spirited movements. He has turned down numerous invitations to serve as a director on boards of directorates, confining himself to the Wayne Pump Company and the Lincoln National Life Insurance Company boards.

Great Possibilities Ahead

As a banker, he foresees great possibilities ahead for banking. Perhaps that is one of the reasons that he was elected vice president of the Indiana Bankers Association this year and placed in line of succession for the presidency in 1946. In accepting the post, he modestly told the bankers that he "knew of no banker who less deserved the honor from the standpoint of past service."

"There are tremendous opportunities ahead for the nation's banks," he observed. "To begin with, they are on a sounder basis than they have been in 150 years. The banks are in an ultra-liquid condition—and thus in a position to cater to banking needs during the expansion period ahead. The lessons learned during the boom that followed World War I will prove valuable. Undoubtedly, the runaway stock market boom of 1919 got out of hand largely due to the loose lending policies of the banks. Today, with the margin requirements and other restraints on security loans, we should be able to avoid the excesses that led to runaway prices in the stock market."

"It is my opinion that there will be a large demand for loans in the period following our victory over Japan. If the bankers of the country fulfill their responsibilities, and take a forward looking attitude toward the extension of credit based on 'the capacity to perform,' we should have an era of great prosperity, with high employment."

AN ADVENTURE IN PRINT

The Publisher's Page

NOT LONG AGO one of the major banks on the Pacific Coast wished to make sure that it would select the newspapers and magazines in the financial field that had the greatest reader interest. Arrangements were made with one of the leading advertising agencies to conduct an impartial, far reaching opinion poll among two groups — topflight banking executives and corporation heads.

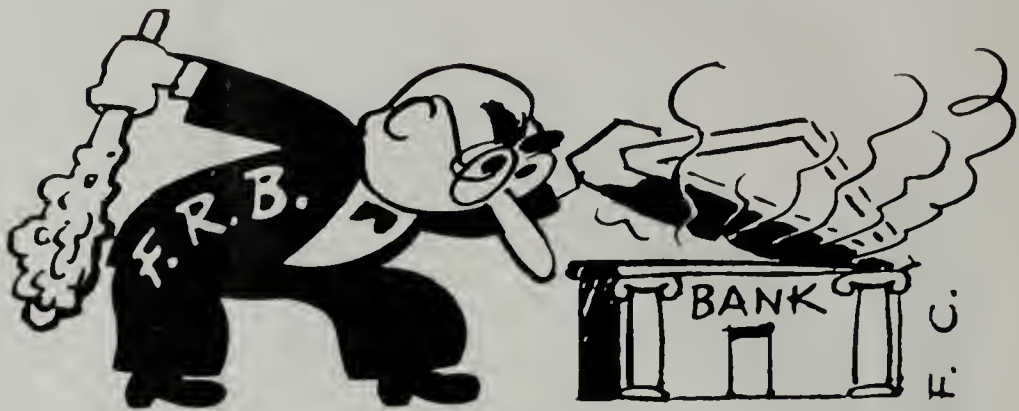
Cards were sent out to 2100 names on the two lists and the individual bankers and corporation heads were asked to check their first, second and third choice in each of the three groups of publications. To get a national—rather than a sectional—viewpoint the names were selected from banks and corporations in the eastern, central and western states.

THROUGH BANKERS, who had participated in the opinion poll, FINANCE learned of the survey that was being made and asked if it might learn what the results were. The advertising agency stated that the survey had been made for one of its clients and that, if this client had no objection, it would be willing to reveal its findings. However, it laid down the condition that its name would not be disclosed in any use that was made of the survey.

With this understanding, the advertising agency recently forwarded the compilation to FINANCE. No one will have to twist our wrist for us to admit that FINANCE, though its circulation was considerably less than any of the other publications in its group, stood at the top of the list.

IN ALL, a total of 2100 cards were mailed out to a carefully selected and representative list. The leading banks in every section of the United States were included. The advertising agency received a return of 897 cards—430 of which were from corporation heads and 467 were from bankers.

A break-down of the returns revealed that 146 were from corporation heads in the eastern states, 109 from the central states and 175 from the western states. Cards were marked as to first, second and third choice by 130 bankers in the eastern states, 166 from bankers in the central states and 171 from bankers in the west. It is to be observed that the opinion poll was truly national in scope, rather than weighted in favor of any one section.



IN GROUP I came several weeklies of general circulation — *Time*, *Newsweek*, *Business Week*, *United States News* — together with *Nations Business* and *Fortune*.

In Group II were the *Wall Street Journal*, the *New York Times*, the *Commercial and Financial Chronicle* along with *Barrons*, *Forbes* and *Dun's Review*.

In Group III were FINANCE, *Burroughs Clearing House*, *Banking*, the *Bankers Monthly* and the daily newspaper, *American Banker*.

IN THE FIELD of publications, it seems to be the custom not to print the details of such comparisons. The usual practice is to refer to them as Magazine No. 1, Magazine Number 2 and so forth.

However, we think that it would violate none of the ethics of publishing, if we mentioned that the leader in Group I was *Time*, the leader in Group II the *Wall Street Journal* and the leader in Group III, FINANCE.

THE TREASURERS and financial vice presidents of a great many of the leading corporations are subscribers to FINANCE because they say that it is an excellent medium for keeping up with every newsworthy and significant development in the whole financial field.

First choice, by a wide margin, of the corporation heads was FINANCE. This is naturally gratifying to us because these men are tops in the field of corporate finance. Among the magazines FINANCE also was first choice of the greatest number of bankers.

ONE FEATURE that we strive for is timeliness, reporting the news when it is news.

Time after time, FINANCE has presented news stories before these have appeared on the financial pages of the newspapers. In the current issue will

be found a story about the meeting of bankers from the southern states at Memphis where a decision was reached to enforce the much-mooted Regulation Q. (Fred Cooper drew a cartoon, which is reproduced on this page, giving his pictorial idea of the situation.) The 6 point program of the American Legion for bringing about amendments to the widely discussed GI Bill of Rights is another case. The nomination of Charles S. Garland to be the next president of the Investment Bankers Association comes under the heading of spot news.

Frequently a brief item in OFF THE RECORD breaks a significant bit of news. As far as we can ascertain, the loans made by the St. Louis credit pool are the first to be extended by any of the pools, which have been organized for the purpose of providing credit for small businesses.

FROM ALL PARTS of the country, FINANCE has received photographs of novel displays and exhibits devised by banks to encourage the sale of War Bonds during the Mighty 7th War Loan drive. A double page spread of some of these views appears in this issue.

Certainly bankers can take pride in the way that they have backed the attack on the financial front.

CONTINUING our series on captains of industry, in the next issue FINANCE will publish a personality story about Frederick Crawford, president of Thompson's Products and former president of the National Association of Manufacturers.

He is one of the most colorful and dynamic figures in American industry — an a man with a most interesting hobby. He collects old automobiles. He is a front rank fighter for the American system of private enterprise. The Cleveland industrialist pulls no punches.

R.A.L.

Finance

WHAT IS UNITED'S MAIN LINE AIRWAY?



United Air Lines' famous Main Line Airway is the nation's oldest coast-to-coast airway, the strategic middle route straight across the heart of the country.

Along this No. 1 air route, modern *United Mainliners* provide busy wartime travelers with express-fast flights to most of the leading business and industrial areas of the country.

On the Main Line Airway you'll find Boston . . . New York . . . Washington . . .

Philadelphia . . . Cleveland . . . Detroit . . . Chicago . . . Denver . . . San Francisco . . . Oakland . . . Los Angeles . . . Portland . . . Seattle . . . altogether 43 cities linked by Mainliner Service. Truly, the route that goes where business is!





the machine
that a small bank
can keep busy

every hour
of the day

• It's true! The National Multiple-Duty Accounting Machine does no less than seven basic banking jobs. A small bank can keep it busy every hour of the day.

With the convenient removable form bars, it can be changed from one job to another in a matter of seconds. And here are the seven basic jobs it handles:

1. **It posts depositors' accounts.**
2. **It posts the loan and discount record.**
3. **It posts any type of mortgage record.**
4. **It posts the trust ledger.**
5. **It writes and posts the payroll record.**
6. **It posts the general ledger.**
7. **It posts the daily statement of business.**

Couldn't you use this machine in your own bank? It is but one of many National machines designed to reduce errors and increase the efficiency of banking methods.

THERE'S A NATIONAL FOR EVERY BANK AND BANKING JOB! Whether the bank is large or small, whatever the specific need, you'll find a National System to meet it. An experienced National representative will be glad to make a comprehensive study of your bank. There's no obligation. Get in touch with your nearest National office. National Accounting-Bookkeeping Machines are available through priorities.

National

CASH REGISTERS • ADDING MACHINES
ACCOUNTING-BOOKKEEPING MACHINES

THE NATIONAL CASH REGISTER CO.

